



Financial Statements  
September 30, 2018

# Housing Authority of the City of Salem

# Housing Authority of the City of Salem

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September 30, 2018

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<b><u>Name and Address</u></b>	<b><u>Term Expires</u></b>
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Steve McCoid, Chair 555 Liberty Street SE, Suite 220 Salem, OR 97301	December 31, 2018
Jackie Leung (as of 2019) 555 Liberty Street SE, Suite 220 Salem, OR 97301	December 31, 2022
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Chris Hoy, (Chair as of 2019) 555 Liberty Street SE, Suite 220 Salem, OR 97301	December 31, 2022
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## Independent Auditor's Report

To the Board of Commissioners  
Housing Authority of the City of Salem  
Salem, Oregon

### Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Salem (the Authority) as of and for the year ended September 30, 2018, and the discretely presented component units of the Authority as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 Parkway West Housing, LLC and Robert Lindsey Tower Housing, LLC were not audited in accordance with *Government Auditing Standards*.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Salem as of September 30, 2018, and the discretely presented component units of the Authority as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the years ended September 30, 2018 and December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Notes 1 and 10 to the financial statements, the Authority has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of October 1, 2017. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of employer contributions, and the schedule of changes in total OPEB liability and related ratios, 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 have applied certain limited procedures to this 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 Authority's basic financial statements. The introductory section and combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards (SEFA) is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Financial Data Schedules (FDS) are presented for purposes of additional analysis as required by the Housing and Urban Development Real Estate Assessment Center (REAC). The SEFA and FDS are also not a required part of the financial statements.

The SEFA, the FDS and the combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Reports on Other Legal and Regulatory Requirements**

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is issued separately and is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

#### **Other Reporting Required by Oregon Minimum Standards**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated April 26, 2019, on our consideration of the Authority's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink, appearing to read "Eide Bailly", written in a cursive, flowing style.

For Eide Bailly LLP  
Boise, Idaho  
April 26, 2019

## **Fund Financial Statements**

A fund is a grouping of related self-balancing accounts that are used to maintain control over resources, which are segregated for the purpose of carrying on specific activities. Generally Accepted Accounting Principles (GAAP) requires state and local governments to use the enterprise fund type to account for business-type activities. All of the Authority's transactions are recorded in enterprise funds. Enterprise funds use the accrual basis of accounting; revenue is recorded when earned and expenses are recorded when incurred, regardless of when the cash is received or disbursed. GAAP also requires the inclusion of three basic financial statements (statement of net position; statement of revenues, expenses and changes in net position; and statement of cash flows) and this management's discussion and analysis (MD&A). The financial statements give a general overview of the Housing Authority of the City of Salem's (the Authority) finances.

As required by Governmental Accounting Standards Board (GASB) statement No. 61, the basic financial statements include its component units: Robert Lindsey Tower LLC, and Parkway West LLC. These discretely presented component units represent multi-family properties structured as Limited Liability Corporations or Limited Partnerships, which have the Authority as the managing member or general partner. The Authority has invested funds in these entities that could have an impact on the agency. The Authority obtained the limited partner's interest in Southfair Apartments LP as of February 28, 2015, as a result Southfair Apartments LP is reported as a blended component within the Authority's financial data.

## **The Authority's Programs**

Public Housing – The Low Rent Public Housing Program operated by the Authority rents 245 units that it owns to low-income households. The Low Rent Public Housing Program is managed under an Annual Contributions Contract (ACC) with the Department of Housing and Urban Development (HUD), and HUD provides Operating Subsidy funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income. The Low Rent Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Tenant Based Assistance Programs – Under the Housing Choice Voucher (HCV) Program, the Authority administers contracts with independent landlords that own the property which is leased to participating households. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides ACC funding to enable the Authority to structure a lease that sets the participants' rent at 30% to 40% of household income. The Authority's received an additional 9 units on the HCV ACC, due to the cancellation of 2 properties which held a Moderate Rehabilitation contract. The ACC as of September 30, 2018 was 2,992 units. The HCV program also has 94 vouchers for disabled persons, issued under Mainstream 5 program. The HCV funding includes 26 units of Moderate Rehabilitation Program also funded by HUD.

Family Self-Sufficiency and Resident Initiatives Program – This program consists of Resident Opportunity and Self-Sufficiency (ROSS) Family Self Sufficiency (FSS) grant. The FSS program is funded by HUD, as available, on a calendar year basis to assist renters in improving quality of life by encouraging resident economic security and self-sufficiency. FSS staff develop partnerships with local law enforcement, neighborhood associations, non-profit agencies, private landlords and other public and private service providers to enable participating clients to meet their goals of increasing earned income, improving financial literacy, reducing/eliminating need for welfare assistance, and ultimately achieving economic independence and self-sufficiency. During the FY 2018, the grant maintained its funding of four staff positions and was able to assist up to 226 enrollees.

Central Office Cost Center – This program is required by HUD under asset management and contains all income and expenses related to the management of the above listed federal programs.

State and Local Programs – This program consists of the City of Salem funded: Security Deposit Program (HOME funds), and Homeless Rental Assistance Program (HRAP). HRAP launched in July 2017 and is Salem's Housing First Initiative to permanently house annually up to 100 of the most vulnerable, chronically homeless individuals annually within the City of Salem. The program consists of providing rental assistance, barrier removal funding, facilitation of access to crucial services, peer support and intensive case management; with the goal of long-term housing stability and self-sufficiency. New this year, are partnerships and additional grants and/or local agency funding to assist the HRAP program, from agencies such as Meyer Memorial Foundation, Mid-Willamette Valley Community Action Agency, and Salem Health. The Veterans' Rental Assistance Program (VRAP), which is funded through the State of Oregon Health Authority has continued as well. This funding allows the Authority, in partnership with the local Community Action Agency, to provide rental assistance, barrier removal and intensive case management for homeless veterans. The goal of the program is to permanently house 42 homeless veterans annually as well as to provide the wrap-around supports necessary for their long-term housing stability.

Business Activities Program – This program represents non-HUD resources received from a variety of activities including development and investments in Authority owned properties. Two owned complexes: Southview Terrace Apartments and Englewood West Apartments are reported within Business Activities, as well as the above State and Local Programs.

## **Financial Overview**

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources as of September 30, 2018, by \$22,236,164 (net position). Of this amount, \$10,013,724 (unrestricted net position) may be used to meet the Authority's ongoing obligations to vendors, tenants and/or creditors. Furthermore, \$665,615 is restricted for property development and housing assistance payments/vouchers.
- Total assets are \$30,589,492 for 2017/18, this is an increase of 5.9% over the prior year assets of \$28,875,218.
- During the year, the operating activities resulted in the Authority's net position increasing \$1,359,902 in 2017/18.
- Total revenues for all Authority programs increased \$3,519,722 during 2017/18, and were \$27,880,499 and \$24,360,777 for 2017/18 and 2016/17, respectively. The most significant increases were again this year, seen in Rental income increases of \$66,445, additional increases of \$702,281 in grant income and \$1,454,350 in HUD funding received over the prior year. In total Operating subsidies and Grant funds went up \$2,156,631, the Authority maximized its leasing capacity, accounting for most of the funding increase. The Authority also received \$1,200,000 in a legal settlement, which attributed to a large portion of the increase of \$1,548,670 in Other income.
- Total expenses for all Authority programs increased proportionally to the increased income during 2017/18. The increase of \$3,430,989 is due mainly to the increase in Housing assistance payments under the Housing Choice Voucher program and increased expenses in line with the additional grant funding and subsequent expenses.



**Table 1**  
**Statements of Net Position**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash	\$ 7,300,804	\$ 6,464,412
Investments	250,765	250,765
Accounts Receivable (net)	703,826	393,413
Other (Ppds & Inv)	52,847	56,037
Total Current Assets	<u>8,308,242</u>	<u>7,164,627</u>
Capital Assets (net of depreciation)	13,947,365	13,676,870
Other Assets	8,333,885	8,033,721
Total Non-Current Assets	<u>22,281,250</u>	<u>21,710,591</u>
Total Assets	<u>30,589,492</u>	<u>28,875,218</u>
Deferred Outflows of Resources	<u>1,174,636</u>	<u>960,817</u>
Total Assets & Deferred Outflows	<u><u>\$ 31,764,128</u></u>	<u><u>\$ 29,836,035</u></u>
<b>Liabilities</b>		
Accounts Payable	\$ 396,552	\$ 224,493
Accrued Liabilities/Payroll	287,508	156,482
Tenant Security Deposits	126,495	125,316
Other Current Liabilities (Unearned rev/int/current LTD)	205,935	273,524
Total Current Liabilities	<u>1,016,490</u>	<u>779,815</u>
Non-current Liabilities	<u>8,202,769</u>	<u>8,094,200</u>
Total Liabilities	<u>9,219,259</u>	<u>8,874,015</u>
Deferred Inflows of Resources	<u>308,705</u>	<u>149,801</u>
<b>Net Position</b>		
Net investment in capital assets	11,556,825	11,168,051
Restricted for Vouchers (HAP)	198,549	470,731
Restricted for Property Development and Operations	467,066	315,004
Unrestricted	<u>10,013,724</u>	<u>8,858,433</u>
Total Net Position	<u>22,236,164</u>	<u>20,812,219</u>
Total Liabilities, Deferred Inflows and Net Position	<u><u>\$ 31,764,128</u></u>	<u><u>\$ 29,836,035</u></u>

## Authority-Wide Statements

### Statement of Net Position

Net position represents the difference between total assets and deferred outflows and total liabilities and deferred inflows. Current Assets (cash and investments) increased by \$1,143,615. Also, as a result of maximizing our utilization of the Housing Choice Vouchers and increases in Housing Assistance Payments, the balance in restricted net position for vouchers was decreased by \$272,182.

### Statement of Revenues, Expenses and Changes in Net Position

Total Revenues increased 14.4% in 2017/18 to \$27,880,499 from \$24,360,777 in 2016/17.

The Authority expanded the Homeless Rental Assistance Program (HRAP) to include additional partners and funding, which allowed the Authority to bring on more staff to help clients navigate the program, assist in housing placements, and work to ensure successful program enrollment. Other grant income increased 64%, with \$1,795,135 received 17/18 from \$1,092,854 in the prior year.

HUD funded grant programs for Operating subsidies, HCV and Capital grants also increased this year by 7%, a total increase of \$1,454,350. Both the Public Housing Capital grant and HCV funding experienced increases during the year.

Housing assistance payments (HAP) to landlords increased \$2,587,907 from \$17,062,060 to \$19,649,967 due to efforts to increase in leasing and utilization of HCV funding and reserves. Administrative costs increased 25.2% due to a combination of increasing salary costs, the filling of positions added in the prior year and additional grant funded positions. Overall total expenses increased \$3,430,989 from \$23,089,608 to \$26,520,597.

**Table 2**  
**Revenues, Expenses and Changes Net Position**

	2018	2017
Revenues		
Rental income	\$ 1,773,815	\$ 1,707,370
HUD PHA grants	21,801,821	20,429,152
HUD capital grants	218,675	136,994
Other grants	1,795,135	1,092,854
Total Operating Subsidies/Grants	<u>23,815,631</u>	<u>21,659,000</u>
Interest income	313,816	297,321
Developer fees	-	268,519
Other revenue	1,977,237	428,567
Total Other Revenue	<u>2,291,053</u>	<u>994,407</u>
Total Revenue	<u><u>\$ 27,880,499</u></u>	<u><u>\$ 24,360,777</u></u>

Housing Authority of the City of Salem  
Management's Discussion and Analysis  
September 30, 2018

	2018	2017
Expenses		
Housing assistance payments	\$ 19,649,967	\$ 17,062,060
Administrative	4,326,945	3,455,067
Utilities	152,534	143,780
Maintenance	975,030	981,539
Interest	81,784	86,289
Payment in lieu of taxes	75,141	75,140
Depreciation and amortization	830,051	835,045
General/misc	429,145	450,688
Total Expenses	<u>\$ 26,520,597</u>	<u>\$ 23,089,608</u>
Change in Net Position	1,359,902	1,271,169
Net Position, Beginning of the Year	20,812,219	19,541,050
Restatement for Adoption of New Standard	<u>64,043</u>	<u>-</u>
Net Position, End of the Year	<u>\$ 22,236,164</u>	<u>\$ 20,812,219</u>

### Capital Assets

As of fiscal year end 2018, the Authority had \$13,947,365 invested in a variety of capital assets as shown in the following schedule reflecting an increase in capital assets of \$270,495. While depreciation has continued to decrease, significant increases are seen in construction in progress. The increases are related to the physical improvements in public housing properties that were not completed as of the end of the fiscal year, including work towards the upcoming RAD, as well as pre-development and investment costs associated with developing additional affordable housing projects, further discussed in Economic Factors and Future considerations. For a more complete picture of the current Capital Assets, see Note 4 in the Financial Statements.

**Table 3**  
**Net Capital Assets at Year End**

	2018	2017
Land	\$ 1,760,454	\$ 1,760,454
Buildings and improvements	25,982,080	25,879,453
Construction in progress	1,377,757	447,378
Equipment	1,770,956	1,703,416
Total capital assets	<u>30,891,247</u>	<u>29,790,701</u>
Accumulated depreciation	<u>(16,943,882)</u>	<u>(16,113,831)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 13,947,365</u>	<u>\$ 13,676,870</u>

### **Long-term Obligations**

The Authority has not added any new debt during the fiscal year and continues to regularly pay the amortized payments due. As of September 30, 2018, the Authority had \$3,992,851 in loans (mortgages on properties). Of this total, \$1,450,063 is attributable to Southfair Apartments LP. The other loans held by the Authority directly total \$2,542,788, of which \$1,386,450 are secured by the assets of the Tax Credit properties (Parkway West Housing LLC and Robert Lindsey Tower Housing LLC). These carry 0% interest and have no payments due until maturity.

### **Economic Factors and Future Considerations**

Several factors and economic events can/have impact on the Authority and its mission of assistance to achieve self-sufficiency through stable housing:

- As in past years the Authority receives the majority of its operating revenue from financial assistance grants through HUD, as such, we are significantly affected by the federal government's annual budget appropriations to HUD. Attempting funding projections have been difficult in past years; and operations and budget projections are even more difficult in the current fiscal year, as we started the year on a continuing resolution, the Federal Government and HUD not having an approved budget. Without approved budgets, the office of HUD was shut down for 35 days from late December until January 25, 2019. While the funding for January and February had been previously allocated and was available for funding to the agency. The Authority had to begin preparations for what actions we would need to take if the required funding for our programs, especially HCV, which supports over 2,700 participants housing payments, was not obligated and funded for April. Our agency, as well as many others across the nation, would not be able to remain operable without receiving the funding. As we prepared to notify our clients' landlords, another continuing resolution and a subsequent budget was passed. Uncertainties concerning funding have been increasing each year. The Authority continues to actively monitor all funding streams and has to date been able to adequately navigate these difficulties and maintain both our staffing and service levels.
- The Authority is currently working towards transforming our current Public Housing portfolio, utilizing HUD's RAD (Rental Assistance Demonstration) program. This program was utilized back in 2013/14 for the transition of Robert Lindsay Tower from public housing into a Low-Income Housing Tax Credit (LIHTC) project, which utilizes property based rental assistance vouchers from HUD, and private sector funding. Each of the properties the undergo transition through the RAD program will be revitalized using HUD Capital funds, net position restricted for development and funding created during the LIHTC transaction. Once converted these projects will no longer show in the Primary Government financials and will instead move to Discretely Presented Component Units, just as Robert Lindsay Tower Housing LLC and Parkway West Housing LLC currently present. The Authority will become a general partner in these new projects. Construction has not yet started due to multiple competing projects at the Authority; however, pre-development work is underway.

- The Authority was able to maximize utilization of the voucher program in the prior fiscal year, within the limitations set by renewal funding. This utilization will help to maintain funding in the current fiscal year and has allowed the agency to again start issuing new vouchers to clients remaining on the wait list. However, we are still faced with increased rents and low vacancy rates, within the Salem area, and this is a barrier for many clients in locating appropriate housing. The Authority has taken steps to monitor and adjust our payment standards to assist our clients in locating and obtaining housing that meets our standards of living. During 2017/18, the Authority decided it was best to close our HCV wait list, in an attempt to lessen the length of time to which clients had before nearing the top and being offered a voucher. At that time, we were at full funding capacity and clients were experiencing a wait time of up to 5 years. Since the closure of the list we have been able to again issue Good News letters to clients on the wait list and we hope to shorten this wait to a more reasonable time, before we re-evaluate opening the list again to new applicants.
- The Authority is also in the process of obtaining new properties, in an effort to increase the low-income housing availability within the area. The Authority is in the process of purchasing and completing construction on a complex that would add 37 studio style units with a community kitchen and dining areas. This property should close in April 2019 and be ready for occupancy later in 2019. Another property acquisition is also in progress, which will require more extension renovation and is planned for summer/fall of 2019. This project will utilize grant and LIHTC funding.

#### **Financial Contact**

This report is designed to provide our board, residents and with a general overview of the Housing Authority of the City of Salem's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kalena Plath, Financial Operations Manager, 360 Church St NE, Salem, OR 97301 or call (503)373-3809.

Housing Authority of the City of Salem  
Statement of Net Position  
September 30, 2018

	<u>Primary Government</u>	<u>Discretely Presented Component Units as of 12/31/2017</u>
Assets and Deferred Outflows		
Current Assets		
Cash - unrestricted	\$ 5,696,737	\$ 521,034
Cash - restricted	1,604,067	1,284,305
Accounts receivable, net of allowance		
Governmental	563,853	-
Tenants	4,214	3,398
Other	135,759	-
Prepaid expenses	40,322	14,835
Inventory	12,525	-
Investments - restricted	250,765	-
Total current assets	<u>8,308,242</u>	<u>1,823,572</u>
Capital Assets		
Non-depreciable	3,138,211	1,013,380
Depreciable, net	10,809,154	21,490,139
Total capital assets	<u>13,947,365</u>	<u>22,503,519</u>
Other Assets		
Other assets	-	94,814
Accounts receivable - developer fee	268,519	-
Related party notes receivable	6,908,327	-
Interest receivable	1,157,039	-
Total other assets	<u>8,333,885</u>	<u>94,814</u>
Deferred Outflows of Resources - Pension/OPEB	<u>1,174,636</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>\$ 31,764,128</u>	<u>\$ 24,421,905</u>

Housing Authority of the City of Salem  
Statement of Net Position  
September 30, 2018

	Primary Government	Discretely Presented Component Units as of 12/31/2017
Liabilities, Deferred Inflows and Net Position		
Current Liabilities		
Accounts payable	\$ 381,936	\$ 73,842
Accounts payable - HUD	14,616	-
Accrued payroll	80,252	-
Accrued compensated absences, current portion	58,697	-
Accrued company administrative fee	-	65,922
Accrued interest, current portion	6,602	23,377
Advanced revenue	69,554	625
Accrued liabilities	148,559	-
Tenant security deposits payable	126,495	71,116
Notes and mortgages payable, current portion	129,779	146,361
Total current liabilities	<u>1,016,490</u>	<u>381,243</u>
Long-Term Liabilities		
Accrued compensated absences, net of current portion	85,294	-
Net pension liability	3,745,860	-
Developer fee payable	-	268,519
Notes and mortgages payable, net of current portion	3,863,072	12,384,210
Accrued interest, net of current portion	-	954,589
OPEB	231,174	-
Other liabilities	277,369	-
Total long-term liabilities	<u>8,202,769</u>	<u>13,607,318</u>
Total liabilities	<u>9,219,259</u>	<u>13,988,561</u>
Deferred Inflows of Resources - Pension/OPEB	<u>308,705</u>	<u>-</u>
Net Position		
Net investment in capital assets	11,556,825	9,972,948
Restricted	665,615	-
Unrestricted	10,013,724	460,396
Total net position	<u>22,236,164</u>	<u>10,433,344</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 31,764,128</u>	<u>\$ 24,421,905</u>

Housing Authority of the City of Salem  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended September 30, 2018

	Primary Government	Discretely Presented Component Units as of 12/31/2017
Operating Revenues		
HUD PHA grants	\$ 21,801,821	\$ -
Other grants	1,795,135	-
Rental income	1,773,815	1,467,895
Other tenant income	66,611	41,616
Management fees	143,978	-
Other revenue	1,766,648	9,460
Total operating revenues	<u>27,348,008</u>	<u>1,518,971</u>
Operating Expenses		
Housing assistance payments	19,649,967	-
Tenant services	328,025	-
Administrative salaries and benefits	2,120,301	171,158
Other administrative	2,206,644	172,186
Maintenance salaries	407,755	127,885
Regular and extraordinary maintenance	567,275	195,347
Depreciation and amortization	830,051	800,328
Utilities	152,534	122,796
Payments in lieu of taxes	75,141	-
Insurance	94,696	45,734
Miscellaneous	6,424	-
Total operating expenses	<u>26,438,813</u>	<u>1,635,434</u>
Operating Income (Loss)	<u>909,195</u>	<u>(116,463)</u>
Non-Operating Revenues (Expenses)		
Other non-operating expenses	-	(31,773)
Interest income	313,816	1,686
Interest expense	(81,784)	(589,281)
Total non-operating revenues (expenses)	<u>232,032</u>	<u>(619,368)</u>
Income (Loss) Before Capital and Other Contributions	1,141,227	(735,831)
Capital and Other Contributions		
HUD capital grant	218,675	-
Change in Net Position	<u>1,359,902</u>	<u>(735,831)</u>
Net Position, Beginning of Year, as Originally Stated	20,812,219	11,169,175
Restatement for Adoption of New Standard	<u>64,043</u>	<u>-</u>
Net Position, Beginning of Year, as Restated	<u>20,876,262</u>	<u>11,169,175</u>
Net Position, End of Year	<u><u>\$ 22,236,164</u></u>	<u><u>\$ 10,433,344</u></u>



Housing Authority of the City of Salem  
Statement of Cash Flows  
Year Ended September 30, 2018

	<u>Primary Government</u>
Operating Activities	
HUD PHA grants	\$ 21,428,239
Receipts from tenants	1,839,436
Management fee receipts	143,978
Other income	3,547,073
Housing assistance payments	(19,753,073)
Cash paid to vendors	(3,469,009)
Cash paid to employees	<u>(1,825,165)</u>
Net Cash from Operating Activities	<u>1,911,479</u>
Capital and Related Financing Activities	
Purchase of capital assets	(1,100,546)
HUD capital contributions	218,675
Principal payments on notes and mortgages	(124,659)
Interest payments on notes and mortgages	<u>(82,165)</u>
Net Cash used for Capital and Related Financing Activities	<u>(1,088,695)</u>
Investing Activities	
Interest on notes and fees receivable	<u>13,608</u>
Net Cash from Investing Activities	<u>13,608</u>
Net Change in Cash	836,392
Cash, Beginning of Year	<u>6,464,412</u>
Cash, End of Year	<u><u>\$ 7,300,804</u></u>
Reconciliation of Cash	
Cash	\$ 5,696,737
Restricted cash	<u>1,604,067</u>
	<u><u>\$ 7,300,804</u></u>

Housing Authority of the City of Salem  
Statement of Cash Flows  
Year Ended September 30, 2018

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Reconciliation of Change in Net Position to Net

Cash from Operating Activities

Operating income	\$ 909,195
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	830,051
Pension expense	318,583
Change in assets and liabilities	
Accounts receivable	(310,413)
Prepaid expenses	1,596
Inventory	1,594
Related party receivable	44
Accounts payable	423,652
Accounts payable -HUD	(103,106)
Accrued payroll	(10,478)
Other liabilities	(58,580)
Accrued compensated absences	(12,969)
Tenant security deposits payable	1,179
Unearned revenue	(78,869)
Total adjustments	<u>1,002,284</u>

Net Cash from Operating Activities

\$ 1,911,479

Housing Authority of the City of Salem  
Combining Statement of Net Position – Discretely Presented Component Units  
December 31, 2017

	Parkway West Housing LLC	Robert Lindsey Tower Housing LLC	Total Reporting Entity
Assets			
Current Assets			
Cash - unrestricted	\$ 191,518	\$ 329,516	\$ 521,034
Cash - restricted	422,611	861,694	1,284,305
Accounts receivable, net of allowance			
Tenants	1,792	1,606	3,398
Prepaid expenses	4,437	10,398	14,835
Total current assets	<u>620,358</u>	<u>1,203,214</u>	<u>1,823,572</u>
Capital Assets			
Non-depreciable	411,186	602,194	1,013,380
Depreciable, net	9,552,360	11,937,779	21,490,139
Total capital assets	<u>9,963,546</u>	<u>12,539,973</u>	<u>22,503,519</u>
Other Assets			
Other assets	44,275	50,539	94,814
Total assets	<u>\$ 10,628,179</u>	<u>\$ 13,793,726</u>	<u>\$ 24,421,905</u>

Housing Authority of the City of Salem  
Combining Statement of Net Position – Discretely Presented Component Units  
December 31, 2017

	Parkway West Housing LLC	Robert Lindsey Tower Housing LLC	Total Reporting Entity
Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$ 24,088	\$ 49,754	\$ 73,842
Accrued interest, current portion	12,177	11,200	23,377
Accrued company administrative fee	65,922	-	65,922
Advanced revenue	264	361	625
Tenant security deposits payable	38,098	33,018	71,116
Notes and mortgages payable, current portion	51,753	94,608	146,361
Total current liabilities	<u>192,302</u>	<u>188,941</u>	<u>381,243</u>
Long-Term Liabilities			
Developer fee payable, current portion	-	268,519	268,519
Notes and mortgages payable, net of current portion	2,331,903	3,366,182	5,698,085
Notes payable, related party	1,314,802	5,371,323	6,686,125
Accrued interest, net of current portion	297,763	656,826	954,589
Total long-term liabilities	<u>3,944,468</u>	<u>9,662,850</u>	<u>13,607,318</u>
Total liabilities	<u>4,136,770</u>	<u>9,851,791</u>	<u>13,988,561</u>
Net Position			
Net investment in capital assets	6,265,088	3,707,860	9,972,948
Unrestricted	226,321	234,075	460,396
Total net position	<u>6,491,409</u>	<u>3,941,935</u>	<u>10,433,344</u>
Total Liabilities and Net Position	<u>\$ 10,628,179</u>	<u>\$ 13,793,726</u>	<u>\$ 24,421,905</u>

Housing Authority of the City of Salem  
Combining Statement of Revenues, Expenses and Changes in Net Position – Discretely Presented Component  
Units  
Year Ended December 31, 2017

	Parkway West Housing LLC	Robert Lindsey Tower Housing LLC	Total Reporting Entity
Operating Revenues			
Rental income	\$ 628,528	\$ 839,367	\$ 1,467,895
Other tenant income	18,376	23,240	41,616
Other revenue	4,499	4,961	9,460
	<u>651,403</u>	<u>867,568</u>	<u>1,518,971</u>
Total operating revenues			
Operating Expenses			
Administrative salaries and benefits	69,478	101,680	171,158
Other administrative	73,226	98,960	172,186
Maintenance salaries	39,256	88,629	127,885
Regular and extraordinary maintenance	97,851	97,496	195,347
Depreciation and amortization	384,720	415,608	800,328
Utilities	53,750	69,046	122,796
Insurance	15,976	29,758	45,734
	<u>734,257</u>	<u>901,177</u>	<u>1,635,434</u>
Total operating expenses			
Operating Loss	<u>(82,854)</u>	<u>(33,609)</u>	<u>(116,463)</u>
Non-Operating Revenues (Expenses)			
Other non-operating income (expenses)	(26,309)	(5,464)	(31,773)
Interest income	636	1,050	1,686
Interest expense	(241,668)	(347,613)	(589,281)
	<u>(267,341)</u>	<u>(352,027)</u>	<u>(619,368)</u>
Total non-operating expenses			
Change in Net Position	(350,195)	(385,636)	(735,831)
Net Position - Beginning of Year	6,841,604	4,327,571	11,169,175
Net Position - End of Year	<u>\$ 6,491,409</u>	<u>\$ 3,941,935</u>	<u>\$ 10,433,344</u>

## **Note 1 - Nature of Organization and Significant Accounting Policies**

### **Nature of Organization**

The Housing Authority of the City of Salem (the Authority) was created by the City Council of the City of Salem (the City). 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.

The Board of Commissioners is appointed by the City Council of the City of Salem and is responsible for all activities of the Authority. The City provides various services to the Authority on a contract basis. The Authority's accounting records are maintained separately from the City's and debts incurred by the Authority are not obligations of the City.

### **Reporting Entity**

All significant activities and organizations over which the Authority exercises oversight responsibility have been included in the financial statements. Evaluation of the reporting entity was in accordance with Statement No. 61 of the Governmental Accounting Standards Board (GASB). Based on the criteria contained therein, the Authority is a discretely presented component unit of the City of Salem.

The governmental reporting entity consists of the Authority, the primary government, and its component units. Component units are legally separate organizations for which the Board of Commissioners is financially accountable or other organizations whose nature and significant relationship with the Authority are such the exclusion would cause the Authority's financial statements to be misleading or incomplete. The basic financial statements include discretely presented component units which are reported in a separate column to emphasize they are legally separate from the primary government.

### **Blended Component Unit**

Included within the financial reporting entity of the Authority as a blended component unit is Southfair Apartments Limited Partnership (Southfair). Southfair is wholly owned by the Authority. A separate set of financial statements for Southfair as of December 31, 2017, has been issued.

### **Discretely Presented Component Units**

The Authority follows the guidance provided by the Governmental Accounting Standards Board (GASB) for the relationship of housing authorities as general partners or managing members of low income tax credit limited partnerships and companies whereby the limited partners and investor members have majority ownership but have delegated the majority of their rights regarding day to day operations of the partnerships and companies to the Authority. The Authority is the managing member and owns a 0.01% to 0.1% investment in the limited liability companies which are reported as discretely presented component units. The limited liability companies have December 31 year ends. Complete financial statements for these entities can be obtained at the Housing Authority of the City of Salem, 360 Church Street SE, Salem, Oregon 97301.

*Parkway West Housing LLC*

Parkway West Housing, LLC (Parkway) was formed to acquire, rehabilitate and operate a 78-unit low-income housing project located in Salem, Oregon. Parkway is subject to compliance with Section 42 of the Internal Revenue Code (IRC). The financial statements presented are for the year ended December 31, 2017.

*Robert Lindsey Tower Housing LLC*

Robert Lindsey Tower Housing, LLC (Robert Lindsey Tower) was formed to acquire, rehabilitate and operate a 108-unit low-income housing project across two properties located in Salem, Oregon. Robert Lindsey Tower is subject to compliance with Section 42 of the Internal Revenue Code (IRC). The financial statements presented are for the year ended December 31, 2017.

**Programs Administered by the Authority**

The Authority administers annual contribution contracts to provide low-income housing with primary financial support from the U.S. Department of Housing and Urban Development (HUD) for the voucher and public housing programs. The Authority also manages tax credit affordable housing properties (owned as well as partnerships) and a non-profit owned HUD 202 property and single house.

*Housing Assistance Payments*

Section 8 of the Housing and Community Development Act of 1974 provides Housing Assistance Payments on behalf of lower-income families to participating housing owners. Under this program, the landlord-tenant relationship is between a rental-housing owner and a family, rather than the Authority and a family as in the Public Housing program. For approved housing, HUD contracts with the Authority to enter into contracts with owners to make assistance payments for the difference between the approved contract rent and the actual rent paid by lower-income families. The Housing Assistance Payments made to landlords are funded through Annual Contributions Contracts. For the fiscal year ending September 30, 2018, the Authority administered 2,992 vouchers through programs authorized by Section 8. The program also has 94 vouchers for disabled persons, issued under Mainstream 5 program. The funding includes 26 units of Moderate Rehabilitation Program also funded by HUD.

*Public Housing*

The Authority owns and operates 245 units of public housing. These properties were acquired through bonds and notes guaranteed by HUD and through grants subject to the terms of an Annual Contributions Contract with HUD. Revenues consist primarily of rents and other fees collected from tenants and an operating subsidy from HUD.

*Affordable Housing*

The Authority manages 392 units of affordable housing, primarily tax credit partnerships. This includes three properties not owned by the Authority (52 units).

**Basic Financial Statements**

The basic financial statements (i.e., the statements of net position, revenues, expenses, and change in net position and cash flow) report information on all of the activities of the Authority.

### **Program Accounting**

The accounts of the Authority are organized on the basis of programs, each of which is a separate accounting entity. The operations of each program are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, program equity, revenue, and expenses as appropriate. Governmental resources are allocated to and accounted for in individual programs based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The operations of the Authority are accounted for in a single Enterprise Fund. Enterprise funds account for those operations financed and operated in a manner similar to private business or where the Authority has decided that determination of revenues earned, costs incurred, and net income is necessary for management accountability.

### **Budgets and Budgetary Accounting**

The administrative and fiscal staff prepares a budget for each of the separate projects within each program and for the total operation of the Authority after coordination, consultation, and receipt of approvals of service levels from the various grantor agencies. A consolidated budget is submitted to the Board of Commissioners for approval, modification, and adoption. The Authority is not subject to Oregon Local Budget Law under ORS 294.316(8).

### **Basis of Accounting**

Basis of accounting dictates when revenues and expenses 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 financial statements of the Authority. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recognized when incurred.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing housing in connection with the Authority's principal ongoing operations. The principal operating revenues are from dwelling rents and operating grants. Operating expenses for proprietary funds include administrative expenses, housing assistance payments, repair and maintenance expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of cash flows. Nonexchange transactions, in which the Authority receives value without giving equal value in exchange include grants. Revenues from grants are recognized when earned.

### **Cash**

For purposes of the statement of cash flows, the Authority considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The restricted cash and cash equivalents represent reserves for housing assistance payments, tenant deposits, escrow loan deposits, and capital replacement reserves.



### **Accounts Receivable**

Accounts receivable includes receivables from tenants, the government, and amounts due from other entities. Accounts receivable from tenants include rents and charges currently due from residential residents. Payments on accounts receivable are applied to specific months. Management reviews accounts receivable monthly and estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience and other factors as necessary. As of September 30, 2018, the Authority has recorded an allowance for doubtful accounts in the amount of approximately \$6,500.

### **Notes and Interest Receivables**

Notes and interest receivables are carried at amounts advanced, net of a reserve for uncollectible accounts, if any. As of September 30, 2018, the Authority considers the remaining notes and interest receivable to be fully collectible. There has been no allowance for doubtful accounts recorded as of September 30, 2018.

### **Capital Assets**

Capital assets are recorded at cost or estimated historical cost for those assets greater than the capitalization amount of \$1,500. Depreciation is recorded on the books of the Authority using straight-line over estimated useful lives ranging from three to forty years as follows:

Computers	3-5 years
Office equipment and vehicles	5-7 years
Land improvements	15-20 years
Buildings	40 years

Long-lived assets held and used by an entity are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment loss has been recognized for the year ended September 30, 2018.

### **Investments**

The Authority invests in short-term obligations of the United States Treasury. All investments are stated at fair market value as of September 30, 2018.

### **Inventory**

The Authority's inventory consists of maintenance materials at its various properties. The inventory is valued at the lower of cost or market, determined under the first-in, first-out (FIFO) method.

### **Advanced Revenue**

Advanced revenue consists of advance payments received for tenant rent, FSS coordinator grants, and HCV administration fees.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. It is the deferred amounts related to pensions and other post employment benefits. This amount is deferred and recognized as an outflow of resources in the period when the Authority recognizes pension expense.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category. It is the deferred amounts related to pensions and other post employment benefits. This amount is deferred and recognized as an inflow of resources in the period when the Authority recognizes pension income.

### **Pensions**

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

### **Other Post Employment Benefits (OPEB)**

For purposes of measuring the OPEB plan, the Housing Authority has relied on actuarial reports utilized employee census data and benefits provided by the Authority for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense. Benefit payments are financed on a pay-as-you-go basis.

### **Compensated Absences**

Total unpaid compensated absences at September 30, 2018, were recorded on the books of the Authority based on total vested hours multiplied by current wage rates.

### **Payments in Lieu of Taxes**

As a municipal corporation, the Authority is exempt from federal, state and local income and property taxes. Instead, the Authority is required to make a payment to local government entities called Payments in Lieu of Taxes (PILOT) on certain rental properties owned by the Authority. Under an agreement with the City of Salem, the Authority is required to make an annual payment equal to 10% of the net rents collected less utilities with respect to the Projects owned by the Authority.

Total payments in lieu of taxes were \$75,141 for the year ended September 30, 2018.

### **Net Position**

Net Investment in Capital Assets – This represents the Authority’s investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets.

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

Unrestricted – This represents resources used for the Authority’s general operations, which are not restricted by third parties. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, if allowed by the program rules and regulations, and then unrestricted resources as they are needed.

### **Risk Management**

The Authority is exposed to various risks of loss related to errors and omissions; automobiles; damage to and destruction of assets; bodily injury; and workers' compensation for which the Authority has obtained insurance from the Housing Authorities Risk Retention Pool (HARRP). There has been no significant reduction in insurance coverage from the prior year and settled claims have not exceeded the level of commercial coverage in any of the past three fiscal years.

### **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 at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Implementation of GASB Statement No. 75**

As of September 30, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the costs and obligations associated with postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the Net OPEB Liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. The effect of the implementation of this standard on beginning net position is disclosed in Note 10 and the additional disclosures required by this standard is included in Note 9.

## Note 2 - Cash and Investments

### Primary Government

The balance at September 30, 2018, by major types of cash and investment accounts are as follows:

Petty cash	\$ 100
Checking and savings accounts	7,300,704
Investments - restricted	<u>250,765</u>
	<u>\$ 7,551,569</u>
Cash - unrestricted	\$ 5,696,737
Cash and investments - restricted	<u>1,854,832</u>
	<u>\$ 7,551,569</u>

Restricted cash and investments consist of balances held for future property replacement development, operations, return of deposits to families completing the family self-sufficiency program, and payments to landlords for housing assistance for low-income families.

### Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. At September 30, 2018, the Authority's deposits with various financial institutions had a bank value of \$7,211,477. The deposit balance is insured by federal depository insurance up to legal limits. Oregon revised statutes require collateralization of deposits in excess of amounts insured by the Federal Depository Insurance Corporation. All deposits in excess of federal depository insurance were held at qualified depositories for public funds. In addition, the Authority has a tri-party agreement with Reserve Bank of Boston and Key Bank to cover any amounts over FDIC limits. The Authority's deposits have been properly collateralized as of September 30, 2018.

### Investments

As of September 30, 2018, the Authority held the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	More than 10
United States Treasury Notes	<u>\$ 250,765</u>	<u>\$ 250,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investments are measured and recorded using fair value measurement guidelines established by generally accepted accounting principles. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in an active market;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

The Authority considers all investments to be Level 2 investments. Treasury notes categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

### **Interest Rate Risk**

The Authority's investment policy follows HUD's policy as investments of funds must be capable of being liquidated on one day's notice and must be limited to U.S. securities maturing in periods of up to one year.

### **Credit Risk**

The Authority is required to invest all local funds in accordance with State regulations. State statutes authorize the Authority to invest in obligations of the U.S. Treasury, certificates of deposit, U.S. Government Agency Securities, instrumentalities of the U.S. Government-sponsored corporations, commercial paper, banker's acceptances, and repurchase agreements. Furthermore, the Authority is required to invest all funds in accordance with HUD regulations. Such investments are restricted to those that are backed by the full faith and credit of, or a guarantee of principal and interest by, the U.S. Government, a Government agency, or issued by a Government-sponsored agency.

### **Custodial Credit Risk – Investments**

This is the risk that in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. All investments are held in safekeeping by the financial institution counterparty or by its trust department in the Authority's name.

### **Discretely Presented Component Units**

#### **Restricted Cash**

Restricted cash consists of tenant security deposits and various reserves as required by the operating agreements. Total restricted cash as of December 31, 2017, was \$1,284,305.

### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The deposit balance is insured by federal depository insurance up to legal limits. Oregon revised statutes require collateralization of deposits in excess of amounts insured by the Federal Depository Insurance Corporation. All deposits in excess of federal depository insurance were held at qualified depositories for public funds. As of December 31, 2017, Robert Lindsey Tower and Parkway West's deposits were not exposed to custodial credit risk, as all deposits were insured or collateralized.

### Note 3 - Notes Receivable

	<u>Principal</u>	<u>Interest</u>
Related Party Notes Receivable		
The Authority, its managing member, loaned \$230,000 of GHAP funds to Parkway West Housing LLC, for rehabilitation costs. Interest accrues at 3.27% per annum. Principal and interest are due December 31, 2069, secured by a deed of trust on property.	\$ 230,000	\$ 33,182
The Authority, its managing member, loaned \$222,246 to Robert Lindsey Tower Housing LLC, for rehabilitation of the Parkway East rental housing property. Interest accrues at 3.27% per annum. Principal and interest are due December 31, 2044, secured by a deed of trust on property.	222,246	21,711
The Authority, its managing member, loaned \$190,000 to Parkway West Housing LLC, for rehabilitation of its housing property. Interest accrues at 8% per annum. Principal and interest are due December 31, 2069, secured by a deed of trust on property.	190,000	74,771
The Authority, its managing member, loaned \$1,710,000 to Robert Lindsey Tower Housing LLC, relating to rehabilitation of its housing property. Interest accrues at 5% per annum. Principal and interest are due December 31, 2044, secured by a deed of trust on property.	1,710,000	399,849

# Housing Authority of the City of Salem

Notes to Financial Statements

September 30, 2018

	<u>Principal</u>	<u>Interest</u>
The Authority, its managing member, loaned \$2,235,522 to Robert Lindsey Tower Housing LLC, for rehabilitation of its housing property. Interest accrues at 3.27% per annum. Principal and interest are due December 31, 2044, secured by a deed of trust on property.	2,235,478	305,805
The Authority, its managing member, received a seller carry-back note in the amount of \$645,292 from Parkway West Housing LLC relating to the sale of Parkway Village Apartments, LP. Interest accrues at 8% per annum. Principal and interest are due December 31, 2069, secured by a deed of trust on property.	645,292	254,177
The Authority, its managing member, loaned \$249,510 of CDBG funds to Parkway West Housing LLC, for rehabilitation costs. Interest accrues at 0% per annum. Principal is due December 31, 2069, secured by a deed of trust on property.	249,510	-
The Authority, its managing member, loaned \$1,136,940 of CDBG funds to Robert Lindsey Tower Housing LLC, for rehabilitation costs. Interest accrues at 0% per annum. Principal is due December 31, 2044, secured by a deed of trust on property.	1,136,940	-
The Authority, its managing member, received a seller carry-back note in the amount of \$288,861 from Robert Lindsey Tower, Housing, LLC relating to the sale of Parkway East rental property. Interest accrues at 5% per annum. Principal and interest are due December 31, 2044, secured by a deed of trust on property.	288,861	67,544
	<u>\$ 6,908,327</u>	<u>\$ 1,157,039</u>

#### Note 4 - Capital Assets

The following is a summary of capital assets for the year ended September 30, 2018:

##### Primary Government

	Balance October 1, 2017	Additions	Deletions	Transfers	Balance September 30, 2018
Non-Depreciable					
Land	\$ 1,760,454	\$ -	\$ -	\$ -	\$ 1,760,454
Construction in progress	447,378	935,344	-	(4,965)	1,377,757
Total non-depreciable capital assets	<u>2,207,832</u>	<u>935,344</u>	<u>-</u>	<u>(4,965)</u>	<u>3,138,211</u>
Depreciable					
Buildings and structures	25,879,453	97,662	-	4,965	25,982,080
Equipment	1,703,416	67,540	-	-	1,770,956
Total depreciable capital assets	<u>27,582,869</u>	<u>165,202</u>	<u>-</u>	<u>4,965</u>	<u>27,753,036</u>
Less: Accumulated Depreciation for					
Buildings and structures	(14,702,511)	(751,909)	-	-	(15,454,420)
Equipment	(1,411,320)	(78,142)	-	-	(1,489,462)
Total accumulated depreciation	<u>(16,113,831)</u>	<u>(830,051)</u>	<u>-</u>	<u>-</u>	<u>(16,943,882)</u>
Net Depreciable Capital Assets	<u>11,469,038</u>	<u>(664,849)</u>	<u>-</u>	<u>4,965</u>	<u>10,809,154</u>
Net capital assets	<u><u>\$ 13,676,870</u></u>	<u><u>\$ 270,495</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,947,365</u></u>

##### Discretely Presented Component Units

The following is a summary of capital assets as of December 31, 2017:

	Robert Lindsey Tower Housing LLC	Parkway West Housing LLC
Land	\$ 602,194	\$ 411,186
Land improvements	366,690	391,613
Building and improvements	12,484,401	9,849,771
Furniture and equipment	<u>376,415</u>	<u>484,151</u>
	13,829,700	11,136,721
Accumulated depreciation	<u>(1,289,727)</u>	<u>(1,173,175)</u>
	<u><u>\$ 12,539,973</u></u>	<u><u>\$ 9,963,546</u></u>



## Note 5 - Long-Term Debt

Long-term debt for the primary government as of September 30, 2018, consisted of the following:

### Primary Government

3.31%, \$675,000 mortgage note payable to Columbia Bank, due in monthly installments of \$3,866, including interest, due in full September 2024, secured by real property	\$ 562,542
2.50%, \$600,000 mortgage note payable to Columbia Bank, due in monthly installments of \$4,013, including interest, due in full August 2031, secured by real property	529,997
0%, \$191,400 mortgage note payable to the City of Salem, Oregon, due in monthly installments of \$532, due in full December 2027, unsecured	63,799
0%, \$1,136,940 mortgage note payable to the City of Salem, Oregon from CDBG funds, no payments due until maturity in December 2044, secured by assets of Robert Lindsey Tower Housing LLC	1,136,940
0%, \$249,510 mortgage note payable to the City of Salem, Oregon from CDBG funds, no payments due until maturity in December 2069, secured by assets of Parkway West LLC	249,510

### Southfair Apartments Limited Partnership

0%, mortgage note payable to the City of Salem, Oregon, due in monthly installments of \$356, due in full January 2034, secured by real property	65,066
5.35%, mortgage note payable to the Banner Bank, due in monthly installments of \$8,468, including interest, due in full June 2030, secured by real property	884,997
0%, mortgage note payable to the City of Salem, Oregon, deferred payment, loan is forgivable June 2020, secured by real property	<u>500,000</u>
	3,992,851
Less current portion	<u>(129,779)</u>
	<u>\$ 3,863,072</u>

During the year ended September 30, 2018, the following changes occurred in long-term debt for the primary government:

	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018	Due Within One Year
Notes payable	<u>\$ 4,117,510</u>	<u>\$ -</u>	<u>\$ (124,659)</u>	<u>\$ 3,992,851</u>	<u>\$ 129,779</u>

# Housing Authority of the City of Salem

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Future maturities of debt for the primary government are as follows:

	Principal	Interest	Total
2019	\$ 129,779	\$ 77,052	\$ 206,831
2020	634,668	72,163	706,831
2021	139,778	67,052	206,830
2022	145,121	61,709	206,830
2023	150,707	56,123	206,830
2024-2028	1,079,794	141,269	1,221,063
2029-2033	325,131	13,410	338,541
2034-2038	-	-	-
2039-2043	-	-	-
2044-2048	1,138,363	-	1,138,363
2069	249,510	-	249,510
	<u>\$ 3,992,851</u>	<u>\$ 488,778</u>	<u>\$ 4,481,629</u>

## Discretely Presented Component Units

Long-term debt for the discretely presented component units as of December 31, 2017, consisted of the following:

### Parkway West Housing LLC

8%, \$645,292 note payable to the Housing Authority of the City of Salem, annual payments are payable solely from cash flow, as defined, due in full December 2069, secured by real estate	\$ 645,292
3.27%, \$230,000 GHAP note payable to the Housing Authority of the City of Salem, annual payments are payable solely from cash flow, as defined, due in full December 2069, secured by real estate	230,000
0%, \$249,510 CDBG note payable to the Housing Authority of the City of Salem, annual payments are payable solely from cash flow, as defined, due in full December 2069, secured by real estate	249,510
8%, \$190,000 note payable to the Housing Authority of the City of Salem, annual payments are payable solely from cash flow, as defined, due in full December 2069, secured by real estate	190,000
6%, \$2,541,032 mortgage note payable to Network for Affordable Housing (NOAH) due in monthly installments of \$16,372, including interest through September 2035, secured by real estate and an assignment of rents, net net of unamortized debt issuance costs of \$51,663	2,383,656

# Housing Authority of the City of Salem

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## Robert Lindsey Tower Housing LLC

5%, \$1,710,000 note payable to the Housing Authority of the City of Salem, annual payments are payable solely from cash flow, as defined, due in full December 2044, secured by real estate	\$ 1,710,000
5%, \$288,861 note payable to the Housing Authority of the City of Salem, annual payments are payable solely from cash flow, as defined, due in full December 2044, secured by real estate	288,861
0%, \$1,136,940 note payable to the Housing Authority of the City of Salem, annual payments are payable solely from cash flow, as defined, due in full December 2044, secured by real estate	1,136,940
3.27%, \$2,235,522 note payable to the Housing Authority of the City of Salem, annual payments are payable solely from cash flow, as defined, due in full December 2044, secured by real estate	2,235,522
3.27%, \$222,246 note payable to the Housing Authority of the City of Salem, annual payments are payable solely from cash flow, as defined, due in full December 2044, secured by real estate	222,246
3.91%, \$3,622,939 mortgage note payable to NOAH, due in monthly installments of \$18,944, including interest through November 2035, secured by real estate and an assignment of rents, net of unamortized debt issuance costs of \$198,767	<u>3,238,544</u>
	12,530,571
Less current portion	<u>(146,361)</u>
	<u>\$ 12,384,210</u>

Future maturities of debt for the discretely presented component units are as follows:

	Robert Lindsey Tower Housing LLC	Parkway West Housing LLC	Total
2018	\$ 94,608	\$ 51,753	\$ 146,361
2019	98,374	54,945	153,319
2020	102,291	58,334	160,625
2021	106,363	61,932	168,295
2022	110,597	65,751	176,348
Thereafter	8,518,647	3,457,406	11,976,053
Unamortized debt issuance costs	<u>(198,767)</u>	<u>(51,663)</u>	<u>(250,430)</u>
	<u>\$ 8,832,113</u>	<u>\$ 3,698,458</u>	<u>\$ 12,530,571</u>

## **Note 6 - Related Party Transactions**

### **Notes Receivable**

As disclosed in Note 3, the Authority is owed on various notes receivable from two low-income residential housing tax credit projects with various interest rates. During 2018, the Authority earned interest income of approximately \$300,000 relating to the notes. As of September 30, 2018, the Authority was owed \$1,157,039 for interest.

### **Developer Fees**

The Authority has entered into a development service agreement with Robert Lindsey Tower to develop and monitor construction activity while the projects were undergoing construction. As of September 30, 2018, Robert Lindsey Tower owed the Authority \$268,519 for developer fees. These developer fees will be paid to the extent cash flow is available for payment of such fee as set forth in the Operating Agreement, but no later than December 31, 2027.

### **Management Fees**

The Authority has entered into a management agreement with Parkway West and Robert Lindsey Tower. Terms established under the management agreements call for the payment of management fees to the Authority in exchange for services provided in managing the projects. For the year ended September 30, 2018, the Authority was paid approximately \$107,000 for management services.

### **Reimbursement Fees**

The Authority has entered into a reimbursement agreement with Parkway West and Robert Lindsey Tower. Terms established under this agreement require payment for reimbursable expenses that were applicable to the component units. During 2018, the Authority was reimbursed approximately \$391,400 for salaries and other management expenses at the projects.

### **Company Administrative Management Fee**

Pursuant to the operating agreement with Parkway West, the Authority is to receive an annual company administrative management fee for services provided to the project in the amount of \$17,500, increasing 3% annually. The fee is contingent upon available cash. During 2018, the Authority earned a fee of \$19,123. As of September 30, 2018, the Authority is owed \$65,922 for these fees.

### **Operating Deficits**

The Authority is obligated to provide funds in the total amount of any operating deficit, for a period of time, as defined in the agreements. Any operating deficit paid by the Authority shall be treated as a required loan and shall be non-interest bearing and repayable from cash flows. As of September 30, 2018, the Authority has not had to make any advances to fund operating deficits.

## Note 7 - Compensated Absences

Changes in compensated absences for the year ended September 30, 2018, are as follows:

	Balance October 1, 2017	Additions	Payments	Balance September 30, 2018	Due in 1 year
Compensated absences	<u>\$ 131,018</u>	<u>\$ 28,456</u>	<u>\$ 15,483</u>	<u>\$ 143,991</u>	<u>\$ 58,697</u>

## Note 8 - Employee Retirement System

### Plan Description

Employees of the Authority are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

### Benefits Provided

#### 1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

##### *Pension Benefits*

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

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

### *Disability Benefits*

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

### *Benefit Changes*

After retirement, members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of underlying global equity investments of that account. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The COLA is capped at 2.0 percent.

## *2. OPSRP Pension Program*

### *Pension Benefits*

The OPSRP Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

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

### *Death Benefits*

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

### *Disability Benefits*

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

### *3. OPSRP Individual Account Program (OPSRP IAP)*

#### *Pension Benefits*

Beginning January 1, 2004, PERS eligible employees were enrolled in the Individual Account Program (IAP), a defined benefit contribution pension plan. Benefit terms, including contribution requirements, are established by the Oregon Legislature. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

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

#### *Death Benefits*

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

#### *Recordkeeping*

OPERS contracts with VOYA Financial to maintain IAP participant records.

#### **Contributions**

PERS' funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. Employer contributions for the year ended September 30, 2018 were \$355,390, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended September 30, 2018 were 20.37 percent for Tier One/Tier Two General Service Member, and 14.11 percent for OPSRP Pension Program General Service Members. PERS eligible employees are statutorily required to contribute 6 percent of their covered annual salary to the OPSRP Individual Account Program (IAP), a defined contribution plan. As permitted, SHA has opted to pick up the contributions on behalf of employees contributions were \$133,853.51 for the year ended September 30, 2018.

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

At September 30, 2018, the Authority reported a liability of \$3,745,860 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the

Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Authority's proportion was 0.02472729 percent, which changed from the 0.02516865 percent measured as of June 30, 2017.

For the year ended September 30, 2018, the Authority's recognized pension expense (income) of \$332,933. At September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 127,423	\$ -
Changes of assumptions or other inputs	870,905	-
Net difference between projected and actual earnings on pension plan investments	-	166,337
Changes in proportionate share	-	138,171
Differences between contributions recognized and proportionate share of contributions	55,353	2,900
Contributions subsequent to the measurement date	84,924	-
	<u>\$ 1,138,605</u>	<u>\$ 307,408</u>
Total		

The \$84,924 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30

2019	\$ 434,519
2020	304,244
2021	(51,507)
2022	38,291
2023	20,726
Thereafter	-

### Actuarial Assumptions

The employer contribution rates effective July 1, 2017 through June 30, 2018, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.



The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016 rolled forward to June 30, 2018
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Investment Rate of Return	7.2 percent
Projected Salary Increases	3.5 percent overall payroll growth
Mortality	<p>Health retirees and beneficiaries: RP-2000 sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: RP-2014 sex distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 sex distinct, generational with Unisex, Social Security Data Scale.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

#### **Long-term expected rate of return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.30%	6.69%
Micro Cap US Equities	1.30%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of funds - Diversified	2.50%	4.09%
Hedge Fund - Event-driven	0.63%	5.86%
Commodities/Other	9.38%	22.21%
Total	100.00%	
Assumed Inflation - Mean		2.50%

## Discount rate

The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	<u>1% Decrease (6.2%)</u>	<u>Current Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
Proportionate share	\$ 6,260,038	\$ 3,745,860	\$ 1,670,610

### **Pension plan fiduciary net position**

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

## **Note 9 - Other Post-Employment Benefits (OPEB)**

### *Plan Description*

The Housing Authority offers a defined benefit healthcare plans, through City County Insurance Services (CIS), which offers pooled medical premium rates for fully-insured and community-rated. Benefit provisions are established through negotiations between the Housing Authority and representatives of collective bargaining units. The healthcare plan provides post-retirement medical, dental and vision coverage for eligible retirees, their spouses, domestic partners and dependents. Premiums are paid by the retiree.

The Authority's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims costs (which because of the effect of age is generally higher in comparison to all plan members) and the amount of retiree healthcare premiums represents the Authority's implicit employer contribution. No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4; these benefits are funded on a pay-as-you-go basis.

*Benefits provided:* The level of benefits provided by the plans are the same as those afforded to active employees. Coverage is provided to retirees, spouses and domestic partners until they become eligible for Medicare, typically age 65, and eligible dependents until age 18.

*Employees covered by benefit terms:* At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	-
Active employees with coverage	43
Total	<u>47</u>

### *Total OPEB Liability*

The Authority's total OPEB liability of \$231,174 was measured as of September 30, 2017 and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and other inputs:* The total OPEB liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation rate	2.5% per year
Salary increases	Payroll growth rates including general wage inflation of 3.50% plus merit/productivity increases
Discount rate	3.63%
Healthcare cost trend rates	9% for 2018, decreasing 0.5% per year to an ultimate rate of 5% for 2026 and later years
Retiree contributions	Retiree contributions are assumed to increase according to medical trend rates.

The discount rate was selected from a range of indices where the range is given as the spread between the lowest and highest rate shown. The indices include: Bond Buyer Go 20-Bond Municipal Bond Index; S&P Municipal Bond 20-Year High Grade Rate Index; Fidelity 20-Year Go Municipal Bond Index.

Mortality rates were based on the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of the Oregon Public Employees Retirement System 2016 Experience Study for General Service Employees.

*Changes in the Total OPEB Liability*

Total OPEB liability - beginning of year	\$ 210,792
Service cost	11,726
Interest	6,657
Change of benefit terms	-
Changes in assumptions	19,183
Differences between expected and actual experience	(1,556)
Benefit payments	<u>(15,628)</u>
Net change in total OPEB liability	<u>20,382</u>
Total OPEB liability - end of year	<u><u>\$ 231,174</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.1 percent at the beginning of the year to 3.63 percent at the end of the year

# Housing Authority of the City of Salem

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*Sensitivity of the total OPEB liability to changes in the discount rate:* The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.63 percent) or 1-percentage-point higher (3.63 percent) than the current discount rate:

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Total OPEB liability	\$ 249,852	\$ 231,174	\$ 213,473

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:* The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (10.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (8.0%)	Current Trend Rate (9.0%)	1% Increase (10.0%)
Total OPEB liability	\$ 204,819	\$ 231,174	\$ 262,651

## *OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended September 30, 2018, the Authority recognized OPEB expense of \$38,850. At September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,297
Changes of assumptions or other inputs	15,986	-
Net difference between projected and actual earnings on pension plan investments	-	-
Contributions subsequent to the measurement date	20,044	-
Total	<u>\$ 36,030</u>	<u>\$ 1,297</u>

The \$20,044 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	
2019	\$ 2,938
2020	2,938
2021	2,938
2022	2,938
2023	2,937

#### **Note 10 - Adoption of New Standard**

As of October 1, 2017, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively remove the prior OPEB liability reported under GASB Statement No. 45 and adopt the provisions of GASB Statement No. 75 to report the beginning net OPEB liability and deferred outflows of resources related to contributions made after the measurement date as follows:

Net Position at September 30, 2017, as Previously Reported	\$ 20,812,219
Remove Previously Reported OPEB Liability Previously Reported Under GASB Statement No. 45	274,835
Add Total OPEB Liability Under GASB Statement No. 75 at September 30, 2017	<u>(210,792)</u>
Net Position at October 1, 2017, As Restated	<u><u>\$ 20,876,262</u></u>



Required Supplementary Information  
September 30, 2018

# Housing Authority of the City of Salem

Housing Authority of the City of Salem  
Schedule of the Proportionate Share of Net Pension Liability  
For the Last Four Fiscal Years

<u>Year Ended June 30,</u>	<u>Authority's proportion of the net pension liability (asset)</u>	<u>Authority's proportionate of the net liability (asset)</u>	<u>Authority's covered payroll</u>	<u>Authority's pension liability (asset) as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2018	0.02472729%	\$ 3,745,859	\$ 2,095,494	178.76%	82.10%
2017	0.02516865%	3,392,744	2,075,885	163.44%	83.10%
2016	0.02608279%	3,915,632	2,160,512	181.24%	91.88%
2015	0.02732118%	1,568,635	2,063,886	76.00%	103.60%
2014	0.03071158%	(696,144)	2,346,011	-29.67%	91.97%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.



Housing Authority of the City of Salem  
Schedule of Employer Contributions  
For the Last Four Fiscal Years

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Year Ended September 30,	(a) Statutorily required contribution	(b) Contributions relation to the statutorily contribution	(a-b) Contribution deficiency (excess)	(c) Authority's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 368,475	\$ 368,475	\$ -	\$ 2,239,888	16.45%
2017	319,769	319,769	-	2,177,776	14.68%
2016	297,420	297,420	-	2,075,387	14.33%
2015	301,485	301,485	-	2,083,839	14.47%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Housing Authority of the City of Salem  
Schedule of Changes in Total OPEB Liability and Related Ratios  
September 30, 2018

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	2018
Total OPEB liability - beginning of year	\$ 210,792
Service cost	11,726
Interest	6,657
Change of benefit terms	-
Changes in assumptions	19,183
Differences between expected and actual experience	(1,556)
Benefit payments	(15,628)
Net change in total OPEB liability	<u>20,382</u>
	<u>\$ 231,174</u>
Plan fiduciary net position as % of total OPEB liability	0.0%
Covered payroll	\$ 2,321,028
Total OPEB liability as % of covered payroll	10.0%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

***Notes to Required Supplementary Information:***

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4; these benefits are funded on a pay-as-you-go basis.

### **Changes in Benefit Terms**

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

### **Changes of Assumptions**

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.



Supplementary Information  
September 30, 2018

# Housing Authority of the City of Salem

	14.850		14.896	14.871	14.879
	Public	Business	Family	Housing	
	Housing	Activities	Self-Sufficiency	Choice	Mainstream
			Program	Vouchers	Vouchers
Cash	\$ 1,245,943	\$ 3,130,137	\$ -	\$ 832,325	\$ -
Restricted cash					
Security deposits	85,822	23,752	-	-	-
Other	341,608	742,720	-	347,035	-
Accounts receivable					
Accounts receivable - governmental	1,040	282,781	34,679	239,559	-
Accounts receivable - tenants	3,902	312	-	-	-
Accounts receivable - other	206	370,577	-	4,810	-
Prepaid expenses	18,688	1,646	-	3,614	-
Inventory	12,525	-	-	-	-
Investments - restricted	43,959	-	-	206,806	-
Total current assets	1,753,693	4,551,925	34,679	1,634,149	-
Land	985,024	572,430	-	-	-
Buildings and improvements	14,634,285	5,548,584	-	-	-
Furniture and equipment	978,110	96,638	-	258,184	-
Infrastructure	2,800,910	18,110	-	-	-
Construction in progress	535,105	566,485	-	-	-
Accumulated depreciation	(12,640,206)	(2,033,405)	-	(238,211)	-
Total capital assets, net of accumulated depreciation	7,293,228	4,768,842	-	19,973	-
Accounts receivable - developer fees	-	268,519	-	-	-
Related party notes receivable	-	6,908,327	-	-	-
Interest receivable	-	1,157,039	-	-	-
Total noncurrent assets	7,293,228	13,102,727	-	19,973	-
Deferred Outflows - Pension/OPEB	136,343	130,885	-	169,048	-
	\$ 9,183,264	\$ 17,785,537	\$ 34,679	\$ 1,823,170	\$ -

Housing Authority of the City of Salem  
Combining Statement of Net Position  
September 30, 2018

14.239 HOME	14.856 Section 8 Moderate Rehabilitation	14.249 Section 8 Single Room Occupancy	Continuum of Care Program	COCC	Southfair LLP	Eliminations	Total
\$ -	\$ 12,386	\$ 32,008	\$ -	\$ 413,440	\$ 30,498	\$ -	\$ 5,696,737
-	-	-	-	-	16,921	-	126,495
-	-	-	-	-	46,209	-	1,477,572
2,294	3,500	-	-	29,400	-	(29,400)	563,853
-	-	-	-	-	-	-	4,214
-	-	-	-	-	-	(239,834)	135,759
-	5	14	-	8,399	7,956	-	40,322
-	-	-	-	-	-	-	12,525
-	-	-	-	-	-	-	250,765
2,294	15,891	32,022	-	451,239	101,584	(269,234)	8,308,242
-	-	-	-	-	203,000	-	1,760,454
-	-	-	-	-	2,927,310	-	23,110,179
-	-	-	-	423,838	14,186	-	1,770,956
-	-	-	-	-	52,881	-	2,871,901
-	-	-	-	-	276,167	-	1,377,757
-	-	-	-	(406,398)	(1,625,662)	-	(16,943,882)
-	-	-	-	17,440	1,847,882	-	13,947,365
-	-	-	-	-	-	-	268,519
-	-	-	-	-	-	-	6,908,327
-	-	-	-	-	-	-	1,157,039
-	-	-	-	17,440	1,847,882	-	22,281,250
-	-	-	-	738,360	-	-	1,174,636
\$ 2,294	\$ 15,891	\$ 32,022	\$ -	\$ 1,207,039	\$ 1,949,466	\$ (269,234)	\$ 31,764,128

	14.850		14.896	14.871	14.879
	Public	Business	Family	Housing	Mainstream
	Housing	Activities	Self-Sufficiency	Choice	Vouchers
			Program	Vouchers	
Current Liabilities					
Accounts payable	\$ 138,407	\$ 66,890	\$ 34,679	\$ 10,646	\$ -
Accounts payable - HUD	-	-	-	8,239	-
Accrued payroll	-	-	-	46,756	-
Accrued compensated absences - current portion	4,528	31,345	-	12,385	-
Accrued interest payable	-	2,656	-	-	-
Unearned revenue	588	2,048	-	66,847	-
Accrued liabilities	29,473	-	-	148,486	-
Tenant security deposits payable	85,822	23,752	-	-	-
Notes and mortgages payable, current portion	-	69,888	-	-	-
Total current liabilities	258,818	196,579	34,679	293,359	-
Accrued compensated absences, net of current	13,582	3,273	-	37,154	-
Net pension liability	346,800	268,453	-	556,739	-
Notes and mortgages payable, net of current portion	-	2,472,900	-	-	-
OPEB	44,704	26,110	-	88,468	-
Other liabilities	70,563	-	-	206,806	-
Total long-term liabilities	475,649	2,770,736	-	889,167	-
Total liabilities	734,467	2,967,315	34,679	1,182,526	-
Deferred Inflows - Pension/OPEB	63,322	80,930	-	38,914	-
Net Position					
Net investment in capital assets	7,293,228	3,828,365	-	19,973	-
Restricted	315,004	152,062	-	198,549	-
Unrestricted	777,243	10,756,865	-	383,208	-
Total net position	8,385,475	14,737,292	-	601,730	-
	\$ 9,183,264	\$ 17,785,537	\$ 34,679	\$ 1,823,170	\$ -

Housing Authority of the City of Salem  
Combining Statement of Net Position  
September 30, 2018

14.239 HOME	14.856 Section 8 Moderate Rehabilitation	14.249 Section 8 Single Room Occupancy	Continuum of Care Program	COCC	Southfair LLP	Eliminations	Total
\$ 2,294	\$ 30	\$ 72	\$ -	\$ 127,018	\$ 241,734	\$ (239,834)	\$ 381,936
-	5,241	1,136	-	-	-	-	14,616
-	-	-	-	33,496	-	-	80,252
-	3	8	-	10,428	-	-	58,697
-	-	-	-	-	3,946	-	6,602
-	-	-	-	-	71	-	69,554
-	-	-	-	-	-	(29,400)	148,559
-	-	-	-	-	16,921	-	126,495
-	-	-	-	-	59,891	-	129,779
<u>2,294</u>	<u>5,274</u>	<u>1,216</u>	<u>-</u>	<u>170,942</u>	<u>322,563</u>	<u>(269,234)</u>	<u>1,016,490</u>
-	-	-	-	31,285	-	-	85,294
-	-	-	-	2,573,868	-	-	3,745,860
-	-	-	-	-	1,390,172	-	3,863,072
-	-	-	-	71,892	-	-	231,174
-	-	-	-	-	-	-	277,369
-	-	-	-	2,677,045	1,390,172	-	8,202,769
<u>2,294</u>	<u>5,274</u>	<u>1,216</u>	<u>-</u>	<u>2,847,987</u>	<u>1,712,735</u>	<u>(269,234)</u>	<u>9,219,259</u>
-	-	-	-	125,539	-	-	308,705
-	-	-	-	17,440	397,819	-	11,556,825
-	-	-	-	-	-	-	665,615
-	10,617	30,806	-	(1,783,927)	(161,088)	-	10,013,724
-	10,617	30,806	-	(1,766,487)	236,731	-	22,236,164
<u>\$ 2,294</u>	<u>\$ 15,891</u>	<u>\$ 32,022</u>	<u>\$ -</u>	<u>\$ 1,207,039</u>	<u>\$ 1,949,466</u>	<u>\$ (269,234)</u>	<u>\$ 31,764,128</u>



	14.850		14.896	14.871	14.879
	Public Housing	Business Activities	Family Self-Sufficiency Program	Housing Choice Vouchers	Mainstream Vouchers
Operating Revenues					
HUD PHA grants	\$ 1,054,384	\$ -	\$ -	\$ 19,978,708	\$ 565,975
Other grants	-	1,432,942	272,223	-	-
Tenant rental income	871,207	623,766	-	-	-
Other tenant income	38,459	714	-	25,207	-
Management fees	-	214,747	-	-	-
Other	19,168	1,583,212	-	156,729	-
Total operating revenues	<u>1,983,218</u>	<u>3,855,381</u>	<u>272,223</u>	<u>20,160,644</u>	<u>565,975</u>
Operating Expenses					
Housing assistance payments	-	701,493	-	18,212,100	490,031
Tenant services	34,506	20,343	272,223	953	-
Administrative salaries and benefits	357,811	626,994	-	1,312,161	43,178
Other administrative	296,761	966,141	-	806,330	32,067
Maintenance salaries and benefits	282,521	91,974	-	-	-
Regular and extraordinary maintenance	394,521	109,412	-	19,190	363
Depreciation and amortization	485,456	207,304	-	12,670	-
Utilities	55,796	58,261	-	6,363	76
Payment in lieu of taxes	75,141	-	-	-	-
Insurance	52,484	18,618	-	7,618	260
Miscellaneous	2,439	2,500	-	-	-
Total operating expenses	<u>2,037,436</u>	<u>2,803,040</u>	<u>272,223</u>	<u>20,377,385</u>	<u>565,975</u>
Operating Income (Loss)	<u>(54,218)</u>	<u>1,052,341</u>	<u>-</u>	<u>(216,741)</u>	<u>-</u>
Non-Operating Revenues (Expenses)					
Interest income	448	313,121	-	52	-
Interest expense	-	(33,131)	-	-	-
Total non-operating revenues (expenses)	<u>448</u>	<u>279,990</u>	<u>-</u>	<u>52</u>	<u>-</u>
Income (Loss) Before Capital Contributions and Interprogram Transfers	<u>(53,770)</u>	<u>1,332,331</u>	<u>-</u>	<u>(216,689)</u>	<u>-</u>
Capital Contributions					
HUD capital grants	218,675	-	-	-	-
Interprogram Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>164,905</u>	<u>1,332,331</u>	<u>-</u>	<u>(216,689)</u>	<u>-</u>
Net Position, Beginning of Year, as Originally Stated	8,209,062	13,400,013	-	792,160	-
Restatement for Adoption of New Standard	<u>11,508</u>	<u>4,948</u>	<u>-</u>	<u>26,259</u>	<u>-</u>
Net Position, Beginning of Year, as Restated	<u>8,220,570</u>	<u>13,404,961</u>	<u>-</u>	<u>818,419</u>	<u>-</u>
Net Position, End of Year	<u>\$ 8,385,475</u>	<u>\$ 14,737,292</u>	<u>\$ -</u>	<u>\$ 601,730</u>	<u>\$ -</u>

Housing Authority of the City of Salem  
Combining Statement of Revenues, Expenses and Changes in Net Position  
Year Ended September 30, 2018

14.239 HOME	14.856 Section 8 Moderate Rehabilitation	14.249 Section 8 Single Room Occupancy	14.267 Continuum of Care Program	COCC	Southfair Apartments LP	Eliminations	Total
\$ -	\$ 54,665	\$ 148,089	\$ -	\$ -	\$ -	\$ -	\$ 21,801,821
89,970	-	-	-	-	-	-	1,795,135
-	-	-	-	-	278,842	-	1,773,815
-	-	-	-	-	2,231	-	66,611
-	-	-	-	991,549	-	(1,062,318)	143,978
-	-	-	-	-	7,539	-	1,766,648
89,970	54,665	148,089	-	991,549	288,612	(1,062,318)	27,348,008
80,973	45,526	119,844	-	-	-	-	19,649,967
-	-	-	-	-	-	-	328,025
-	4,483	9,713	-	811,392	16,887	(1,062,318)	2,120,301
8,997	2,599	10,166	-	61,488	22,095	-	2,206,644
-	-	-	-	-	33,260	-	407,755
-	27	111	-	10,525	33,126	-	567,275
-	-	-	-	7,291	117,330	-	830,051
-	257	422	-	5,923	25,436	-	152,534
-	-	-	-	-	-	-	75,141
-	51	131	-	2,584	12,950	-	94,696
-	-	-	-	-	1,485	-	6,424
89,970	52,943	140,387	-	899,203	262,569	(1,062,318)	26,438,813
-	1,722	7,702	-	92,346	26,043	-	909,195
-	-	2	-	-	193	-	313,816
-	-	-	-	-	(48,653)	-	(81,784)
-	-	2	-	-	(48,460)	-	232,032
-	1,722	7,704	-	92,346	(22,417)	-	1,141,227
-	-	-	-	-	-	-	218,675
-	-	-	-	-	-	-	-
-	1,722	7,704	-	92,346	(22,417)	-	1,359,902
-	8,895	23,102	-	(1,880,161)	259,148	-	20,812,219
-	-	-	-	21,328	-	-	64,043
-	8,895	23,102	-	(1,858,833)	259,148	-	20,876,262
\$ -	\$ 10,617	\$ 30,806	\$ -	\$ (1,766,487)	\$ 236,731	\$ -	\$ 22,236,164

Housing Authority of the City of Salem  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2018

<u>Federal Agency/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
<i>Direct Programs:</i>			
Public and Indian Housing	14.850		<u>\$ 1,054,384</u>
Section 8 Project Based Cluster:			
Lower Income Housing Assistance Program -			
Section 8 Moderate Rehabilitation	14.856		54,665
Section 8 Moderate Rehabilitation Single Room			
Occupancy	14.249		<u>148,089</u>
Total Section 8 Project Based Cluster			<u>202,754</u>
Family Self-Sufficiency Program	14.896		272,223
Mainstream Vouchers	14.879		565,975
Section 8 Housing Choice Vouchers	14.871		<u>20,364,715</u>
Total Housing Voucher Cluster			20,930,690
Public Housing Capital Fund	14.872		<u>218,675</u>
Total Direct Programs			<u>22,678,726</u>
<i>Passed through the City of Salem</i>			
HOME Investment Partnership Program	14.239	M-10-DC-41-0204	<u>89,970</u>
Total Federal Expenditures			<u><u>\$ 22,768,696</u></u>

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant award activity of the Housing Authority of the City of Salem (the Authority) under programs of the federal government for the year ended September 30, 2018. The information is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended and does not present the financial position, changes in net position, or cash flows of the Authority.

**Note B – Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal assistance has been provided to a subrecipient.

**Note C – Indirect Cost Rate**

The Authority has not elected to use the 10% de minimis cost rate and does not draw for indirect administrative expenses.



**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***

The Board of Commissioners  
Housing Authority of the City of Salem  
Salem, Oregon

We have audited, 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, the financial statements of the Housing Authority of the City of Salem (the Authority) as of and for the year ended September 30, 2018, and the discretely presented component units as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 26, 2019. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component units.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
April 26, 2019



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Commissioners  
Housing Authority of the City of Salem  
Salem, Oregon

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

We have audited the Housing Authority of the City of Salem's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2018. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

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

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

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

In our opinion, the Authority's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended September 30, 2018.

## Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
April 26, 2019



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**Section I – Summary of Auditor’s Results**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Section 8 Housing Choice Vouchers	14.871
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

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**Section II – Financial Statement Findings**

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None

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**Section III – Federal Award Findings and Questioned Costs**

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None reported



## Independent Auditor's Report Required by Oregon State Regulation

We have audited the basic financial statements of the Housing Authority of the City of Salem (the Authority), as of and for the year ended September 30, 2018, and its discretely presented component units as of and for the year ended December 31, 2017, and have issued our report thereon dated April 26, 2019. 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. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component units.

### Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the 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 an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).

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

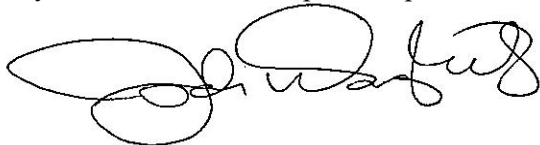
## **OAR 162-10-0230 Internal Control**

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

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

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

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

A handwritten signature in black ink, appearing to read "Eide Bailly", written in a cursive style.

For Eide Bailly LLP  
Boise, Idaho  
April 26, 2019



Financial Data Schedules  
September 30, 2018

# Housing Authority of the City of Salem

Housing Authority of the City of Salem (OR011)  
Salem, OR

**Entity Wide Balance Sheet Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.879 Mainstream Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.239 HOME Investment Partnerships Program	1 Business Activities	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,245,941		\$832,323	\$32,008		\$474,875	\$30,499		\$3,130,140	\$12,386	\$413,439	\$6,171,611		\$6,171,611
112 Cash - Restricted - Modernization and Development	\$315,004								\$0	\$0		\$315,004		\$315,004
113 Cash - Other Restricted	\$0		\$198,549			\$1,213,189	\$46,209		\$742,720	\$0		\$2,200,667		\$2,200,667
114 Cash - Tenant Security Deposits	\$85,823					\$71,116	\$16,921		\$23,751	\$0		\$197,611		\$197,611
115 Cash - Restricted for Payment of Current Liabilities	\$26,604		\$148,486						\$0	\$0		\$175,090		\$175,090
100 Total Cash	\$1,673,372	\$0	\$1,179,358	\$32,008	\$0	\$1,759,180	\$93,629	\$0	\$3,896,611	\$12,386	\$413,439	\$9,059,983	\$0	\$9,059,983
121 Accounts Receivable - PHA Projects			\$3,840							\$0	\$29,400	\$33,240	-\$29,400	\$3,840
122 Accounts Receivable - HUD Other Projects	\$1,040	\$34,679	\$239,558							\$3,500		\$278,777		\$278,777
124 Accounts Receivable - Other Government								\$2,294	\$282,782	\$0		\$285,076	-\$239,834	\$45,242
125 Accounts Receivable - Miscellaneous									\$370,576	\$0		\$370,576		\$370,576
126 Accounts Receivable - Tenants	\$5,226					\$3,704			\$312	\$0	\$0	\$9,242		\$9,242
126.1 Allowance for Doubtful Accounts - Tenants	-\$4,948					-\$306			\$0	\$0	\$0	-\$5,254		-\$5,254
126.2 Allowance for Doubtful Accounts - Other	-\$1,253	\$0	\$0					\$0	\$0	\$0	\$0	-\$1,253		-\$1,253
127 Notes, Loans, & Mortgages Receivable - Current	\$4,878									\$0		\$4,878		\$4,878
128 Fraud Recovery										\$0		\$0		\$0
128.1 Allowance for Doubtful Accounts - Fraud										\$0		\$0		\$0
129 Accrued Interest Receivable	\$206		\$970							\$0		\$1,176		\$1,176
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$5,149	\$34,679	\$244,368	\$0	\$0	\$3,398	\$0	\$2,294	\$653,670	\$3,500	\$29,400	\$976,458	-\$269,234	\$707,224
131 Investments - Unrestricted										\$0				
132 Investments - Restricted	\$43,958		\$206,806							\$0		\$250,764		\$250,764
135 Investments - Restricted for Payment of Current Liability										\$0				
142 Prepaid Expenses and Other Assets	\$18,689		\$3,614	\$14		\$14,835	\$7,956		\$1,646	\$5	\$8,400	\$55,159		\$55,159
143 Inventories	\$12,526									\$0		\$12,526		\$12,526
143.1 Allowance for Obsolete Inventories	\$0									\$0		\$0		\$0
144 Inter Program Due From										\$0				
145 Assets Held for Sale										\$0				
150 Total Current Assets	\$1,753,694	\$34,679	\$1,634,146	\$32,022	\$0	\$1,777,413	\$101,585	\$2,294	\$4,551,927	\$15,891	\$451,239	\$10,354,890	-\$269,234	\$10,085,656
161 Land	\$985,023					\$1,013,380	\$203,000		\$572,430	\$0		\$2,773,833		\$2,773,833
162 Buildings	\$14,634,285					\$22,334,172	\$2,927,310		\$5,548,584	\$0		\$45,444,351		\$45,444,351
163 Furniture, Equipment & Machinery - Dwellings	\$562,257					\$860,565	\$14,186		\$75,998	\$0		\$1,513,006		\$1,513,006
164 Furniture, Equipment & Machinery - Administration	\$415,854		\$258,184						\$20,640	\$0	\$423,838	\$1,118,516		\$1,118,516
165 Leasehold Improvements	\$0									\$0		\$0		\$0
166 Accumulated Depreciation	-\$12,640,206		-\$238,211			-\$2,462,901	-\$1,625,662		-\$2,033,405	\$0	-\$406,398	-\$19,406,783		-\$19,406,783
167 Construction in Progress	\$535,104					\$276,167			\$566,485	\$0		\$1,377,756		\$1,377,756
168 Infrastructure	\$2,800,911					\$758,303	\$52,881		\$18,110	\$0		\$3,630,205		\$3,630,205
160 Total Capital Assets, Net of Accumulated Depreciation	\$7,293,228	\$0	\$19,973	\$0	\$0	\$22,503,519	\$1,847,882	\$0	\$4,768,842	\$0	\$17,440	\$36,450,884	\$0	\$36,450,884
171 Notes, Loans and Mortgages Receivable - Non-Current									\$8,333,886	\$0		\$8,333,886		\$8,333,886
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									\$0			\$0		\$0
173 Grants Receivable - Non Current									\$0			\$0		\$0
174 Other Assets						\$345,244			\$0			\$345,244		\$345,244
176 Investments in Joint Ventures									\$0			\$0		\$0
180 Total Non-Current Assets	\$7,293,228	\$0	\$19,973	\$0	\$0	\$22,848,763	\$1,847,882	\$0	\$13,102,728	\$0	\$17,440	\$45,130,014	\$0	\$45,130,014
200 Deferred Outflow of Resources	\$136,342		\$169,047						\$130,885	\$0	\$738,356	\$1,174,630		\$1,174,630
200 Total Assets and Deferred Outflow of Resources	\$8,183,264		\$1,823,166	\$32,022	\$0	\$24,626,176	\$1,949,467	\$2,294	\$17,785,540	\$15,891	\$1,207,035	\$56,659,534	-\$269,234	\$56,390,300
311 Bank Overdraft										\$0				
312 Accounts Payable <= 90 Days	\$19,853	\$34,679	\$4,203	\$74		\$20,963	\$241,701	\$2,294	\$34,501	\$28	\$4,726	\$363,022	-\$239,834	\$123,188
313 Accounts Payable >90 Days Past Due										\$0				

Housing Authority of the City of Salem (OR011)

Salem, OR

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14.896 PH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.879 Mainstream Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.239 HOME Investment Partnerships Program	1 Business Activities	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
321 Accrued Wage/Payroll Taxes Payable			\$46,756			\$6,344				\$0	\$33,496	\$86,596		\$86,596
322 Accrued Compensated Absences - Current Portion	\$4,527		\$12,385	\$8					\$31,345	\$3	\$10,428	\$58,696		\$58,696
324 Accrued Contingency Liability										\$0				
325 Accrued Interest Payable						\$977,966	\$3,946		\$2,656			\$984,568		\$984,568
331 Accounts Payable - HUD PHA Programs			\$8,239	\$1,136						\$5,241		\$14,616		\$14,616
332 Account Payable - PHA Projects										\$0				
333 Accounts Payable - Other Government	\$75,141		\$5,745						\$16,604	\$0	\$1,049	\$98,539		\$98,539
341 Tenant Security Deposits	\$85,823					\$71,116	\$16,921		\$23,751	\$0		\$197,611		\$197,611
342 Unearned Revenue	\$588		\$66,847			\$624	\$71		\$2,048	\$0		\$70,178		\$70,178
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						\$146,361	\$59,891		\$69,888	\$0		\$276,140		\$276,140
344 Current Portion of Long-term Debt - Operating Borrowings										\$0				
345 Other Current Liabilities	\$43,484		\$148,540			\$377			\$785	\$0		\$193,186		\$193,186
346 Accrued Liabilities - Other	\$29,400		\$644				\$35		\$15,000	\$0	\$121,244	\$166,323	-\$29,400	\$136,923
347 Inter Program - Due To		\$0						\$0		\$0		\$0		\$0
348 Loan Liability - Current										\$0				
310 Total Current Liabilities	\$258,816	\$34,679	\$293,359	\$1,218	\$0	\$1,223,751	\$322,565	\$2,294	\$196,578	\$5,272	\$170,943	\$2,509,475	-\$269,234	\$2,240,241
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						\$5,726,269	\$1,390,171		\$2,472,900	\$0		\$9,589,340		\$9,589,340
352 Long-term Debt, Net of Current - Operating Borrowings										\$0				
353 Non-current Liabilities - Other	\$70,563		\$206,806			\$65,922				\$0		\$343,291		\$343,291
354 Accrued Compensated Absences - Non Current	\$13,582		\$37,154						\$3,274	\$0	\$31,285	\$85,295		\$85,295
355 Loan Liability - Non Current						\$7,176,890				\$0		\$7,176,890		\$7,176,890
356 FASB 5 Liabilities										\$0				
357 Accrued Pension and OPEB Liabilities	\$391,504		\$645,207						\$294,564	\$0	\$2,645,760	\$3,977,035		\$3,977,035
350 Total Non-Current Liabilities	\$475,649	\$0	\$868,167	\$0	\$0	\$12,969,081	\$1,390,171	\$0	\$2,770,738	\$0	\$2,677,045	\$21,171,851	\$0	\$21,171,851
300 Total Liabilities	\$734,465	\$34,679	\$1,182,526	\$1,218	\$0	\$14,192,832	\$1,712,736	\$2,294	\$2,967,316	\$5,272	\$2,847,988	\$23,681,326	-\$269,234	\$23,412,092
400 Deferred Inflow of Resources	\$63,322		\$38,914						\$80,930	\$0	\$125,539	\$308,705		\$308,705
508.4 Net Investment in Capital Assets	\$7,293,228		\$19,972		\$0	\$9,972,948	\$397,820		\$3,828,365	\$0	\$17,439	\$21,529,772		\$21,529,772
511.4 Restricted Net Position	\$315,004		\$198,550		\$0	\$0	\$0		\$152,062	\$0		\$665,616		\$665,616
512.4 Unrestricted Net Position	\$777,245	\$0	\$383,204	\$30,804	\$0	\$460,396	-\$161,089	\$0	\$10,756,867	\$10,619	-\$1,783,931	\$10,474,115		\$10,474,115
513 Total Equity - Net Assets / Position	\$8,385,477	\$0	\$601,726	\$30,804	\$0	\$10,433,344	\$236,731	\$0	\$14,737,294	\$10,619	-\$1,766,492	\$32,669,503	\$0	\$32,669,503
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$9,183,264	\$34,679	\$1,823,166	\$32,022	\$0	\$24,626,176	\$1,949,467	\$2,294	\$17,785,540	\$15,891	\$1,207,035	\$56,659,534	-\$269,234	\$56,390,300



Housing Authority of the City of Salem (OR011)  
Salem, OR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.879 Mainstream Vouchers	6.1 Component Unit - Discreetly Presented	6.2 Component Unit - Blended	14.239 HOME Investment Partnerships Program	1 Business Activities	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$871,208					\$1,488,184	\$278,842		\$623,766	\$0		\$3,262,000		\$3,262,000
70400 Tenant Revenue - Other	\$38,459					\$21,327	\$2,232		\$714	\$0		\$62,732		\$62,732
70500 Total Tenant Revenue	\$909,667	\$0	\$0	\$0	\$0	\$1,509,511	\$281,074	\$0	\$624,480	\$0	\$0	\$3,324,732	\$0	\$3,324,732
70600 HUD PHA Operating Grants	\$1,054,384	\$272,223	\$19,978,708	\$148,089	\$565,975			\$89,970		\$54,665		\$22,164,014		\$22,164,014
70610 Capital Grants	\$218,675									\$0		\$218,675		\$218,675
70710 Management Fee										\$0	\$674,599	\$674,599	-\$674,599	\$0
70720 Asset Management Fee										\$0	\$29,400	\$29,400	-\$29,400	\$0
70730 Book Keeping Fee										\$0	\$287,550	\$287,550	-\$287,550	\$0
70740 Front Line Service Fee										\$0				
70750 Other Fees									\$214,747	\$0		\$214,747	-\$70,769	\$143,978
70700 Total Fee Revenue										\$0	\$991,549	\$991,549	-\$1,062,318	-\$70,769
70800 Other Government Grants									\$1,432,942	\$0		\$1,432,942		\$1,432,942
71100 Investment Income - Unrestricted	\$448		\$51			\$707	\$119		\$313,121	\$2		\$314,448		\$314,448
71200 Mortgage Interest Income										\$0				
71300 Proceeds from Disposition of Assets Held for Sale										\$0				
71310 Cost of Sale of Assets										\$0				
71400 Fraud Recovery	\$0		\$25,207							\$0		\$25,207		\$25,207
71500 Other Revenue	\$19,168		\$156,729			\$10,999	\$7,539		\$1,604,027	\$0		\$1,798,462		\$1,798,462
71600 Gain or Loss on Sale of Capital Assets						-\$1,723				\$0		-\$1,723		-\$1,723
72000 Investment Income - Restricted	\$0		\$0			\$979	\$74			\$0		\$1,053		\$1,053
70000 Total Revenue	\$2,202,342	\$272,223	\$20,160,695	\$148,089	\$565,975	\$1,520,473	\$288,806	\$89,970	\$4,189,317	\$54,667	\$991,549	\$30,484,106	-\$1,062,318	\$29,421,788
91100 Administrative Salaries	\$152,737		\$744,261	\$6,312	\$25,399	\$102,015	\$10,321		\$203,473	\$544	\$510,574	\$1,757,520		\$1,757,520
91200 Auditing Fees	\$2,504		\$16,520	\$1,381	\$4,942	\$14,757	\$7,000		\$1,872	\$544	\$1,467	\$50,987		\$50,987
91300 Management Fee	\$212,191		\$440,112	\$5,373	\$15,189				\$232,931	\$1,719		\$907,515	-\$674,599	\$232,916
91310 Book-keeping Fee	\$21,526		\$254,617	\$2,340	\$8,333					\$750		\$287,566	-\$287,550	\$16
91400 Advertising and Marketing	\$1,025		\$1,217		\$41		\$83		\$1,021	\$0		\$3,387		\$3,387
91500 Employee Benefit contributions - Administrative	\$202,496		\$507,935	\$3,941	\$17,779	\$69,143	\$6,566		\$267,044	\$1,516	\$300,822	\$1,377,242		\$1,377,242
91600 Office Expenses	\$45,385		\$104,378	\$1,045	\$3,562	\$32,175	\$2,826		\$33,586	\$402	\$44,579	\$267,938		\$267,938
91700 Legal Expense	\$0		\$0			\$31			\$408,000	\$0		\$408,031		\$408,031
91800 Travel	\$1,700		\$8,435	\$27		\$639	\$168		\$10,907	\$10	\$11,088	\$32,974		\$32,974
91810 Allocated Overhead										\$0				
91900 Other	\$120		\$0			\$107,496	\$10,010	\$8,997	\$256,596	\$0		\$383,219	-\$70,769	\$312,450
91000 Total Operating - Administrative	\$639,684	\$0	\$2,077,475	\$20,419	\$75,245	\$326,256	\$36,974	\$8,997	\$1,415,430	\$7,369	\$868,530	\$5,476,379	-\$1,032,918	\$4,443,461
92000 Asset Management Fee	\$29,400									\$0		\$29,400	-\$29,400	\$0
92100 Tenant Services - Salaries		\$183,535	\$0						\$95,241	\$0		\$278,776		\$278,776
92200 Relocation Costs	\$2,439									\$0		\$2,439		\$2,439
92300 Employee Benefit Contributions - Tenant Services		\$84,025	\$0						\$61,235	\$0		\$145,260		\$145,260
92400 Tenant Services - Other	\$464	\$4,663	\$0			\$270			\$721,834	\$0		\$727,231		\$727,231
92500 Total Tenant Services	\$2,903	\$272,223	\$0	\$0	\$0	\$270	\$0	\$0	\$878,310	\$0	\$0	\$1,153,706	\$0	\$1,153,706
93100 Water	\$19,566		\$99	\$18	\$3	\$24,450	\$4,603		\$15,294	\$7	\$132	\$64,172		\$64,172
93200 Electricity	\$22,525		\$1,580	\$296	\$54	\$32,357	\$5,795		\$17,624	\$114	\$2,141	\$82,486		\$82,486
93300 Gas	\$1,077		\$275	\$51	\$9	\$5,460			\$6,299	\$20	\$372	\$13,563		\$13,563
93400 Fuel										\$0				
93500 Labor										\$0				
93600 Sewer	\$12,626		\$308	\$57	\$10	\$38,438	\$8,736		\$19,045	\$22	\$415	\$79,657		\$79,657
93700 Employee Benefit Contributions - Utilities										\$0				
93800 Other Utilities Expense										\$0				
93000 Total Utilities	\$55,794	\$0	\$2,262	\$422	\$76	\$100,705	\$19,134	\$0	\$58,262	\$163	\$3,060	\$239,878	\$0	\$239,878

Housing Authority of the City of Salem (OR011)  
Salem, OR

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.879 Mainstream Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.239 HOME Investment Partnerships Program	1 Business Activities	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	\$165,715		\$1,159			\$75,866	\$19,270		\$54,554	\$0		\$316,564		\$316,564
94200 Ordinary Maintenance and Operations - Materials and Other	\$85,721		\$9,478	\$11	\$40	\$56,425	\$8,906		\$31,861	\$5	\$749	\$193,196		\$193,196
94300 Ordinary Maintenance and Operations Contracts	\$260,518			\$100	\$323	\$161,011	\$30,520		\$77,551	\$38	\$5,625	\$535,686		\$535,686
94500 Employee Benefit Contributions - Ordinary Maintenance	\$116,806					\$52,019	\$13,990		\$37,420	\$0		\$220,235		\$220,235
94000 Total Maintenance	\$628,760	\$0	\$10,637	\$111	\$363	\$345,321	\$72,686	\$0	\$201,386	\$43	\$6,374	\$1,265,681	\$0	\$1,265,681
95100 Protective Services - Labor										\$0				
95200 Protective Services - Other Contract Costs										\$0				
95300 Protective Services - Other										\$0				
95500 Employee Benefit Contributions - Protective Services										\$0				
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$31,418						\$12,950		\$18,615	\$0	\$2,049	\$65,032		\$65,032
96120 Liability Insurance	\$2,539		\$7,618	\$131	\$260	\$37,924				\$0	\$537	\$49,059		\$49,059
96130 Workmen's Compensation										\$0				
96140 All Other Insurance	\$18,527									\$0		\$18,527		\$18,527
96100 Total Insurance Premiums	\$52,484	\$0	\$7,618	\$131	\$260	\$37,924	\$12,950	\$0	\$18,615	\$0	\$2,586	\$132,618	\$0	\$132,618
96200 Other General Expenses	\$34,415		\$59,967			\$47,882	\$1,485		\$2,850	\$0		\$146,599		\$146,599
96210 Compensated Absences	\$2,580		-\$5,341	-\$540					\$5,271	-\$208	\$11,212	\$12,974		\$12,974
96300 Payments in Lieu of Taxes	\$75,141									\$0		\$75,141		\$75,141
96400 Bad debt - Tenant Rents	\$30,816					\$16,839	\$2,011		\$330	\$0		\$49,996		\$49,996
96500 Bad debt - Mortgages									\$12,780	\$0		\$12,780		\$12,780
96600 Bad debt - Other										\$0				
96800 Severance Expense										\$0				
96000 Total Other General Expenses	\$142,952	\$0	\$54,626	-\$540	\$0	\$64,721	\$3,496	\$0	\$21,231	-\$208	\$11,212	\$297,490	\$0	\$297,490
96710 Interest of Mortgage (or Bonds) Payable						\$283,515	\$48,653		\$33,131	\$0		\$365,299		\$365,299
96720 Interest on Notes Payable (Short and Long Term)						\$305,509				\$0		\$305,509		\$305,509
96730 Amortization of Bond Issue Costs										\$0				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$589,024	\$48,653	\$0	\$33,131	\$0	\$0	\$670,808	\$0	\$670,808
96900 Total Operating Expenses	\$1,551,977	\$272,223	\$2,152,618	\$20,543	\$75,944	\$1,464,221	\$193,893	\$8,997	\$2,626,365	\$7,417	\$891,762	\$9,265,960	-\$1,062,318	\$8,203,642
97000 Excess of Operating Revenue over Operating Expenses	\$650,365	\$0	\$18,008,077	\$127,546	\$490,031	\$56,252	\$94,913	\$80,973	\$1,562,952	\$47,250	\$99,787	\$21,218,146	\$0	\$21,218,146
97100 Extraordinary Maintenance										\$0				
97200 Casualty Losses - Non-capitalized									\$23,315	\$0		\$23,315		\$23,315
97300 Housing Assistance Payments			\$18,108,791	\$119,844	\$490,031			\$80,973		\$45,526		\$18,845,165		\$18,845,165
97350 HAP Portability-In			\$103,309							\$0		\$103,309		\$103,309
97400 Depreciation Expense	\$485,458		\$12,670			\$792,083	\$117,330		\$207,304	\$0	\$7,291	\$1,622,136		\$1,622,136
97500 Fraud Losses										\$0				
97600 Capital Outlays - Governmental Funds										\$0				
97700 Debt Principal Payment - Governmental Funds										\$0				
97800 Dwelling Units Rent Expense										\$0				
90000 Total Expenses	\$2,037,435	\$272,223	\$20,377,388	\$140,387	\$565,975	\$2,256,304	\$311,223	\$89,970	\$2,856,984	\$52,943	\$899,053	\$29,859,885	-\$1,062,318	\$28,797,567
10010 Operating Transfer In	\$218,675		\$0							\$0		\$218,675	-\$218,675	\$0
10020 Operating transfer Out	-\$218,675									\$0		-\$218,675	\$218,675	\$0
10030 Operating Transfers from/to Primary Government										\$0				
10040 Operating Transfers from/to Component Unit										\$0				
10050 Proceeds from Notes, Loans and Bonds										\$0				
10060 Proceeds from Property Sales										\$0				
10070 Extraordinary Items, Net Gain/Loss										\$0				

Housing Authority of the City of Salem (OR011)  
Salem, OR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.879 Mainstream Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.239 HOME Investment Partnerships Program	1 Business Activities	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
10080 Special Items (Net Gain/Loss)										\$0				
10091 Inter Project Excess Cash Transfer In	\$466									\$0		\$466	-\$466	\$0
10092 Inter Project Excess Cash Transfer Out	-\$466									\$0		-\$466	\$466	\$0
10093 Transfers between Program and Project - In										\$0				
10094 Transfers between Project and Program - Out										\$0				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$164,907	\$0	-\$216,693	\$7,702	\$0	-\$735,831	-\$22,417	\$0	\$1,332,333	\$1,724	\$92,496	\$624,221	\$0	\$624,221
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$134,976	\$53,731	\$0	\$67,661	\$0	\$0	\$256,368		\$256,368
11030 Beginning Equity	\$8,209,062	\$0	\$792,160	\$23,102	\$0	\$11,169,175	\$259,148	\$0	\$13,400,013	\$8,895	-\$1,880,316	\$31,981,239		\$31,981,239
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$11,508		\$26,259				\$0		\$4,948	\$0	\$21,328	\$64,043		\$64,043
11050 Changes in Compensated Absence Balance										\$0				
11060 Changes in Contingent Liability Balance										\$0				
11070 Changes in Unrecognized Pension Transition Liability										\$0				
11080 Changes in Special Term/Severance Benefits Liability										\$0				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents										\$0				
11100 Changes in Allowance for Doubtful Accounts - Other										\$0				
11170 Administrative Fee Equity			\$403,176							\$0		\$403,176		\$403,176
11180 Housing Assistance Payments Equity			\$198,550							\$0		\$198,550		\$198,550
11190 Unit Months Available	2940		35823	312	1128	2232		111		100		42646		42646
11210 Number of Unit Months Leased	2870		33949	312	1111	2213		111		96		40662		40662
11270 Excess Cash	\$979,394									\$0		\$979,394		\$979,394
11610 Land Purchases	\$0									\$0	\$0	\$0		\$0
11620 Building Purchases	\$294,123									\$0	\$0	\$294,123		\$294,123
11630 Furniture & Equipment - Dwelling Purchases	\$1,615									\$0	\$0	\$1,615		\$1,615
11640 Furniture & Equipment - Administrative Purchases	\$65,518									\$0	\$0	\$65,518		\$65,518
11650 Leasehold Improvements Purchases	\$0									\$0	\$0	\$0		\$0
11660 Infrastructure Purchases	\$0									\$0	\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0									\$0	\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0									\$0	\$0	\$0		\$0