

COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

FINANCIAL REPORT

For the Year Ended June 30, 1997

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COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

BOARD MEMBER LIST
1996-97

PRIVATE SECTOR REPRESENTATIVE

TERM ENDS

Dick Porn, President
Western Realty Advisors, Inc.
4930 N.W. 187th, Suite 200
Portland, OR 97229

6/97 (1)

Cindy Hirst
P.O. Box 220
North Plains, Or 97133-0220

6/97 (2)

Russell Wilkinson, CPA
434 S. First, Suite 100
Hillsboro, OR 97123

6/98 (3)

Dick Stenson
President and CEO
Tuality Health Care
335 S.E. 8th Ave.
Hillsboro, OR 97123

6/97 (1)

Margaret Eickmann
15720 N.W. Barkton Ct.
Beaverton, OR 97006

6/97 (1)

Rick Patrick, Principal
W.L. Henry Elementary School
2763 S.E. Lonny Court
Hillsboro, OR 97123

6/99(1)

Craig Kinnie, Director
Intel Architectural Labs
3010 S.E. Oak Street
Hillsboro, OR 97123

6/99(1)

PUBLIC SECTOR REPRESENTATIVES

TERM ENDS

Darlene Greene
Valley Commercial Bank
310 S.E. Washington
Hillsboro, OR 97124

6/99 (2)

Gregory Zuffrea for Mayor Lou Ogden
11795 S.W. Tualatin Road #101
Tualatin, OR 97062

6/98 (1)

Shirley Huffman for Mayor Gordon Faber
809 N.E. Jackson School Road
Hillsboro, OR 97124

6/98 (4)

COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

BOARD MEMBER LIST (CONTINUED)
1996-97

PUBLIC SECTOR REPRESENTATIVES (CONT.)

TERM ENDS

Commissioner Kathy Christy
County Administration
155 N. First Ave.
Hillsboro, OR 97124

6/97

John Kelly for Mayor Walt Hitchcock
Sherwood Intermediate School
400 N. Sherwood Blvd.
Sherwood, OR 97140

6/97 (2)

Sandy Miller for Mayor Rob Drake
City of Beaverton
P.O. Box 4755
Beaverton, OR 97076

6/99 (2)

Representative Chuck Carpenter
1815 N.W. 143rd Ave. B-35
Portland, OR 97229

6/98 (1)

LOW INCOME SECTOR REPRESENTATIVES

TERM ENDS

Jeff Fish, Director
Oregon Legal Services
230 N.E. 2nd Avenue
Hillsboro, OR 97214

6/97 (1)

Maria Loreda
Virginia Garcia Clinic
P.O. Box 567
Cornelius, OR 97113

6/99 (4)

Charlotte Karvia
Head Start Parent
240 S.E. Norton
Sherwood, OR 97140

6/99 (2)

Priscilla Orozco
Centro Cultural
559 N.E. 25th Court
Hillsboro, OR 97124

6/99 (2)

Katrina Pirkle
Head Start Parent
1165 S. Sherwood Blvd. #5
Sherwood, OR 97140

6/98 (1)

COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

BOARD MEMBER LIST (CONTINUED)
1996-97

LOW INCOME SECTOR REPRESENTATIVES (CONT.)

TERM ENDS

Holly Grant
Rep. Head Start Policy Council
786 NW Gleneagle #6
Sherwood, OR 97140

6/97 (1)

Ms. Guadalupe Flores
Employment and Training Counsel
OHDC
862 S.E. Oak Street
Hillsboro, OR 97123

6/98 (1)

() indicates number of terms served on the board

Executive Director, Jerralynn Ness
Finance Director, Nicholas R. Green (through August, 1997)
1001 SW Baseline Street
Hillsboro, OR 97123

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COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

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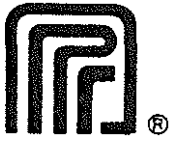
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COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

January 7, 1998

- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523
- To the Board of Directors
Community Action Organization
1001 SW Baseline Street
Hillsboro, Oregon 97123

INDEPENDENT AUDITORS' REPORT

We have audited the general purpose financial statements of Community Action Organization, as of and for the year ended June 30, 1997 as listed in the table of contents. The general purpose financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

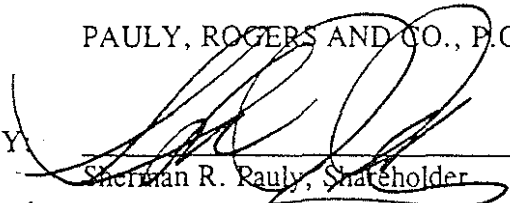
In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Community Action Organization, at June 30, 1997, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 1998, on our consideration of Community Action Organization, Inc.'s, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of Community Action Organization, taken as a whole. The accompanying schedule of expenditures of federal awards at pages 26 through 27 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. The supplementary information included in pages 13 through 25 is presented for purposes of additional analysis and is also not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

PAULY, ROGERS AND CO., P.C.

BY


Sherman R. Pauly, Shareholder

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

COMPARATIVE STATEMENTS OF FINANCIAL POSITION
 For The Year Ended June 30, 1997
 (With Comparative Totals for 1996)

	1997 Total	1996 Total
ASSETS:		
Petty Cash	\$ 375	\$ 0
Investments	610	610
Accounts Receivable	281,362	132,202
Pledges Receivable	8,910	26,300
Prepaid Expenses	2,292	8,363
Fixed Assets	3,699,733	3,661,821
Less: Accum. Deprec.	-676,771	-495,413
Total Assets	\$ 3,316,511	\$ 3,333,883
 LIABILITIES and FUND BALANCE:		
Liabilities:		
Cash in Bank Less		
Outstanding Checks	\$ 59,257	\$ 175,552
Accounts Payable	301,670	78,412
Mortgage Loan Payable	1,311,412	1,249,309
Other Loans Payable	132,560	148,462
Capital Leases Payable	79,601	80,765
Retainage Payable	23,061	0
Accrued Vacation Payable	37,130	42,009
Other Payroll Liabilities	44,046	0
Deferred Revenue	150,884	113,047
Total Liabilities	2,139,621	1,887,556
Net Assets:		
Unrestricted	155,751	435,477
Temporarily Restricted	1,021,139	1,010,850
Total Net Assets	1,176,890	1,446,327
Total Liabilities and Net Assets	\$ 3,316,511	\$ 3,333,883

The accompanying notes are an integral part of this statement

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

COMPARATIVE STATEMENTS OF ACTIVITIES
For The Year Ended June 30, 1997
(With comparative totals for 1996)

	Unrestricted Funds	Temporarily Restricted Funds	1997 Total	1996 Total
REVENUES:				
Contributions	\$ 129,775	\$ 100,824	\$ 230,599	\$ 191,665
In-Kind Donations	172,354	0	172,354	0
Special Events	50,460	0	50,460	62,733
Service Fees	43,023	83,680	126,703	124,277
United Way	0	0	0	62,367
Non Govt. Grants	0	38,418	38,418	77,575
Government Grants:				
Federal Grants	70,088	2,873,070	2,943,158	2,899,814
County Grants	0	60,150	60,150	62,648
City Grants	0	99,600	99,600	70,534
State Grants	0	690,596	690,596	701,573
Program Income	5,702	214,677	220,379	46,246
Sales	0	0	0	2,433
Miscellaneous	4,794	0	4,794	3,589
Total Revenues	476,196	4,161,015	4,637,211	4,305,454
Net Assets Released From Restrictions:				
Satisfaction of Program Restrictions	3,868,345	-3,868,345	0	0
EXPENDITURES:				
Salaries	2,057,775	0	2,057,775	2,042,948
Benefits	336,105	0	336,105	316,802
Taxes	238,889	0	238,889	223,337
Fees For Services	599,979	0	599,979	612,950
Supplies/Services	309,274	0	309,274	417,488
Telephone	43,687	0	43,687	38,419
Postage	12,320	0	12,320	12,613
Occupancy	360,874	0	360,874	373,941
Equipment	68,073	0	68,073	31,737
Printing/Publication	25,585	0	25,585	25,242
Travel	93,744	0	93,744	97,306
Conferences/Training	31,852	0	31,852	30,349
Individual Assistance	413,855	0	413,855	349,317
Memberships	0	0	0	6,924
Asset Acquisition	0	0	0	144,282
In-Kind Materials	172,354	0	172,354	0
Depreciation	181,358	0	181,358	180,445
Total Expenditures	4,945,724	0	4,945,724	4,904,100
Excess of Revenues Over, -Under Expenditures	-601,183	292,670	-308,513	-598,646
Capital Additions:				
Contributions from Other Funds:				
Federal Grants	0	0	0	75,000
Other Contributions	39,076	0	39,076	21,337
Total Capital Additions	39,076	0	39,076	96,337
Excess of Revenue Over, -Under Expenditures After Capital Additions	-562,107	292,670	-269,437	-502,309

Continued on page 4

The accompanying notes are an integral part of this statement.

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

COMPARATIVE STATEMENTS OF ACTIVITIES
 For The Year Ended June 30, 1997
 (With comparative totals for 1996)

	Unrestricted Funds	Temporarily Restricted Funds	1997 Total	1996 Total
Other Financing Sources, -Uses:				
Issuance of Mortgage and Other Loans Payable	\$ 0	\$ 0	\$ 0	\$ 369,440
Transfers In	351,238	38,275	389,513	337,713
Transfers Out	-68,857	-320,656	-389,513	-337,713
Total Other Sources, -Uses	<u>282,381</u>	<u>-282,381</u>	<u>0</u>	<u>369,440</u>
Excess of Revenue and Other Sources Over				
-Under Expenditures and Other Uses After Capital Additions	-279,726	10,289	-269,437	-132,869
Beginning Net Assets	<u>435,477</u>	<u>1,010,850</u>	<u>1,446,327</u>	<u>1,579,196</u>
Ending Net Assets	<u>\$ 155,751</u>	<u>\$ 1,021,139</u>	<u>\$ 1,176,890</u>	<u>\$ 1,446,327</u>

Continued from page 3

The accompanying notes are an integral part of this statement.

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

COMPARATIVE STATEMENTS OF CASH FLOWS
For The Year Ended June 30, 1997
(With comparative totals for 1996)

	1997	1996
CASH PROVIDED FROM, -USED FOR, OPERATIONS:		
Changes in Net Assets	\$ -269,437	\$ -132,869
Noncash Items Included in Income and Expenses:		
Depreciation	181,358	180,445
Changes in Assets and Liabilities:		
Accounts Receivable	-149,160	-66,803
Pledges Receivable	17,390	5,534
Prepaid Expenses	6,071	5,870
Accounts Payable	223,258	20,175
Accrued Vacation Payable	-4,879	5,593
Other Payroll Liabilities	44,046	0
Retainage Payable	23,061	0
Deferred Revenue	37,837	-2,591
	109,545	15,354
CASH USED FOR CAPITAL INVESTMENT ACTIVITIES:		
Purchase of Fixed Assets	-37,912	-503,593
	-37,912	-503,593
CASH USED FOR FINANCING ACTIVITIES:		
Proceeds from Long-term Debt/Construction/Mortgage Loan	75,000	218,840
Proceeds from Long-term Debt/Capital Leases	18,678	53,782
Proceeds from Long-term Debt/Other Loans Payable	0	150,600
Principal Payments on Long Term Debt	-48,641	-18,498
	45,037	404,724
Net Increase, -Decrease, in Cash and Cash Equivalents	116,670	-83,515
Cash and Cash Equivalents, Beginning of Year	-175,552	-92,037
Cash and Cash Equivalents, End of Year	\$ -58,882	\$ -175,552
Cash Paid During the Year for Interest	\$ 133,096	\$ 111,431

The accompanying notes are an integral part of this statement.

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COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Community Action Organization (CAO) is a not for profit corporation organized under Section 501 (c) (3) of the Internal Revenue Code. The organization engages in numerous social and public welfare activities. Its principal programs include the Headstart program, housing and individual assistance programs. Revenues are received primarily from governmental grants from the Federal, State and local governments and from private contributions. The financial statements have been prepared on the accrual basis of accounting and in conformity with the standards promulgated by the American Institute of Certified Public Accountants.

Accounting Method

Community Action Organization utilizes the accrual method of accounting. Under the accrual method, revenues are recognized when the Organization has a right to receive money, and expenses are recognized as liabilities are incurred. Contributions are recognized in accordance with the Financial Accounting Standards Board, Statement of Financial Accounting Standards, No. 116 (SFAS 116), *Accounting for Contributions Received and Contributions Made*.

The accompanying financial statements were prepared in accordance with the Financial Accounting Standards Board, Statement of Financial Accounting Standards, No. 117 (SFAS 117), *Financial Statements for Not-For-Profit Organizations*. Contributions or other inflows of assets whose use by the Organization is limited by donor-imposed stipulations are classified as temporarily restricted net assets until those stipulations are met. The Organization has no permanently restricted net assets as defined under SFAS 117. All other net assets are classified as temporarily restricted or unrestricted.

Change in Accounting Principle

In 1996-97, Community Action Organization adopted Statement of Financial Accounting Standards (SFAS) Number 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." SFAS 124 requires that equity securities with readily determinable fair values be measured at their fair value in the statement of financial position. Gains and losses on investments should be reported in the statement of activities. There have been no market gains/losses on investments prior to 1996-97 or during 1996-97.

Unrestricted Gifts and Grants

Unrestricted gifts and grants are recognized as revenue when received or when a legally enforceable pledge has been received. Related expenses are recognized when incurred.

Restricted Gifts and Grants

The Organization reports gifts, grants and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the contributed asset. When a donor restriction expires, that is, when the stipulated restriction ends or the purpose for the restriction is accomplished, the temporarily restricted net asset is reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

NOTES TO FINANCIAL STATEMENTS (CONT.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Donated Materials

Donated materials, to the extent that they are made under the control of Community Action Organization, Inc., are objectively measurable, and represent program or support expenditures which would otherwise be incurred by Community Action Organization, Inc. personnel, are reflected in both contributions and program expense in the accompanying financial statements. Donated materials were not recorded prior to fiscal year 1996-97. This is an accounting change effective during fiscal year 1996-97.

Grants and Contracts

Support received under grants and contracts with the United States Government and local governments are recorded as grants when the related direct costs are incurred. Reimbursement of indirect costs relating to such grants and contracts is recorded as transfers in to the unrestricted funds. Grants and contracts receivable represent amounts due for expenditures incurred prior to year end. Deferred revenue amounts represent cash received in advance of the related expenditures.

Investments

Investments are recorded at market value as of June 30, 1997. Donated investments are recorded at their market value at the date of donation.

Pledges Receivable

Pledges are recorded at the time the organization is reasonably certain that they will be collected.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost. Donated fixed assets are recorded at estimated fair market value on the date donated. Community Action Organization has adopted the policy of capitalizing all fixed assets and depreciating them on the straight-line basis over the following estimated useful lives:

Furniture & Equipment	5 years
Vehicles	7 years
Buildings & Improvements	40 years

Depreciation expense for 1996-97 is \$181,358.

At their inception capitalized leases are recorded as assets, with a corresponding capitalized lease obligation, at the net present value of future minimum lease payments to be made. The portion of subsequent lease payments applicable to principal, determined by using interest rates implicit in the lease, is reported as a reduction of the capitalized lease obligation, with the remaining interest portion charged to expenditure.

Income Tax Liability

The management of CAO believes that all of its activities qualify for tax exempt status. Therefore, no provision is made on the financial statements for an income tax liability.

COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

NOTES TO FINANCIAL STATEMENTS (CONT.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Comparative Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the entity's financial position and operations. Donated materials were recorded for the first time in fiscal year 1996-97, so comparative data are not available.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

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

2. CASH AND CASH EQUIVALENTS

Community Action Organization maintains its deposits with U.S. National Bank. Bank accounts with overdrawn balances at June 30, 1997 of \$48,882 have been presented as cash in bank less outstanding checks. The total financial institution statement balance as of June 30, 1997 was \$26,175, all of which was insured by the FDIC.

Cash is summarized as follows:

	<u>June 30, 1997</u>
Cash:	
Petty Cash	\$ 375
Checking Accounts	-61,408
Savings Accounts	<u>2,151</u>
Total	<u>\$ -58,882</u>

COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

NOTES TO FINANCIAL STATEMENTS (CONT.)

3. INVESTMENTS

Investments are recorded at market value as of June 30, 1997. Cost and market value information of investments is as follows:

	<u>COST</u>	<u>MARKET</u>
Common Stocks	\$ 260	\$ 260
Bonds	350	350
	<u>\$ 610</u>	<u>\$ 610</u>

4. PLEDGES RECEIVABLE

The organization only records pledges that they are reasonably certain will be collected. Pledges outstanding at June 30, 1997 totaled \$8,910.

5. FIXED ASSETS

The changes in fixed assets for fiscal year 1996-97 are as follows:

	<u>BEG. BAL.</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>END BAL.</u>
Land & Buildings	\$ 2,939,609	\$ 0	\$ 0	\$ 2,939,609
Furniture & Equipment	469,245	19,235	0	488,480
Vehicle	252,967	18,677	0	271,644
Total	<u>\$ 3,661,821</u>	<u>\$ 37,912</u>	<u>\$ 0</u>	<u>\$ 3,699,733</u>

6. INTERFUND TRANSFERS

Interfund transfers represent charges among the various funds for services provided by other funds. The services included indirect costs for bookkeeping, administration and copy expenses.

7. DEFERRED REVENUE

Deferred revenue of \$150,884 at June 30, 1997 arises from receipts of restricted federal, state and local grants which have not been earned as of the balance sheet date, and therefore are not recognized as revenue in the current year.

8. FUNDRAISING ACTIVITIES

The total cost of fundraising activities of CAO for the year ended June 30, 1997 was \$4,411.

9. DONATED MATERIALS

The estimated value of donated materials is included in in-kind donations and in-kind materials. Donated materials were valued at \$172,354 for the year ended June 30, 1997.

COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

NOTES TO FINANCIAL STATEMENTS (CONT.)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash, investments, receivables, and various liabilities. The Organization estimates that the fair value of all financial instruments at June 30, 1997, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

11. RETIREMENT PLAN

Community Action Organization maintains an employer paid defined contribution pension plan. Beginning in the third year of employment, the Organization will contribute between \$25 and \$100 per month to a qualified employee's tax sheltered annuity, based on an employees number of years of service. CAO contributed \$44,050 to the tax sheltered annuities during fiscal 96-97. The annuities were fully funded at June 30, 1997, according to the terms of the plan with the exception of June 1997 premiums being paid in July 1997.

12. LONG TERM DEBT

Long-term debt at June 30, 1997 consists of the following:

10.69% lease/purchase on a telephone system payable in monthly installments of \$920.85, including principal and interest, due July 10, 2000.	\$ 27,995
12.10% lease/purchase on a telephone system payable in monthly installments of \$312.56, including principal and interest, due April 1, 2001.	11,061
Lease/purchase on a cargo van payable in monthly installments of \$395.08, including principal and interest, due February 20, 2000.	18,678
10.50% lease/purchase on a school bus payable in yearly installments of \$12,684.19, including principal and interest, due September 20, 1998.	21,867
8.25% loan secured by equipment, payable in monthly installments of \$1973.69, including principal and interest, due March 15, 2003.	109,862
8.25% loan secured by equipment, payable in monthly installments of \$394.76, including principal and interest, due June 15, 2003.	22,698
8.85% mortgage loan to fund a new multi-service center, payable in monthly installments of \$10,485.91, including principal and interest, due May 1, 2021.	1,236,412
10% second mortgage loan payable in monthly installments of \$980, including principal and interest, due August 1, 2007.	<u>75,000</u>
Total Long Term Debt	<u>\$1,523,573</u>

COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

NOTES TO FINANCIAL STATEMENTS (CONT.)

12. LONG TERM DEBT (CONT.)

The future minimum payments for the retirement of long-term debt are as follows:

<u>Amounts Payable In Fiscal Year:</u>	<u>Long-Term Debt</u>
1997-98	198,238
1998-99	198,238
1999-2000	185,554
2000-2001	173,878
2001-2002	170,754
2002-07	710,455
2007-12	631,115
2012-17	629,155
2017-22	<u>618,669</u>
Less: Amounts Representing Interest	<u>-1,992,483</u>
Total Long-Term Debt	<u>\$ 1,523,573</u>

13. UNRESTRICTED NET ASSETS

Unrestricted restricted net assets of \$155,751 at June 30, 1997 were comprised of the following:

Net Assets in Property, Plant and Equipment	\$ 340,132
Expendable Net Assets:	
Administration	-97,359
Resource Development	<u>-87,022</u>
	<u>-184,381</u>
	<u>\$ 155,751</u>

14. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$1,021,139 at June 30, 1997 were comprised of the following:

Net Assets in Property, Plant and Equipment:	
Portion of Multi-Service Building and Equipment Funded by Federal Grants	\$ 1,215,214
Expendable Net Assets:	
Client Services	-26,325
Child Development	-28,055
Housing and Energy	54,745
Multi-Service Center	<u>-194,440</u>
	<u>-194,075</u>
	<u>\$ 1,021,139</u>

COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

NOTES TO FINANCIAL STATEMENTS (CONT.)

14. TEMPORARILY RESTRICTED NET ASSETS (CONT.)

The temporarily restricted net assets in property, plant and equipment of \$1,215,214, noted above, represent the portion of Community Action Organization's new multi-service building that was funded by federal grants. The grant agreements state that the building has an estimated useful life of thirty years. Should CAO sell the building, or discontinue using it for the purposes stated in the grant agreements, prior to the end of the 30 year period, the granting agencies would expect to be reimbursed for the portion of funds they contributed toward constructing/equipping the building.

Temporarily restricted assets were released from restriction during the year by incurring expenses satisfying restricted purposes as follows:

Restricted Purpose:	<u>June 30, 1997</u>	Transfers Out to Cover Indirect
	<u>Expenses</u>	<u>Costs</u>
Client Services	\$ 286,351	\$ 63,640
Child Development	2,060,675	162,236
Housing and Energy	<u>1,521,319</u>	<u>94,780</u>
	<u>\$ 3,868,345</u>	<u>\$ 320,656</u>

15. DEFICIT EXPENDABLE NET ASSETS

In October 1997, Community Action Organization implemented a plan for financial stability to eliminate the deficit in expendable unrestricted and temporarily restricted net assets. (See Notes 13 and 14). This plan entails budgeting surpluses and to eliminate the deficit by year 2003 through these surpluses.

16. SUBSEQUENT EVENT

Effective October 1, 1997, Community Action Organization merged with Family Care of West Tuality, Inc. As of July 1, 1997, all employees of Family Care of West Tuality were transferred to Community Action Organization. All assets, liabilities, and programs belonging to Family Care of West Tuality were also transferred to Community Action Organization.

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SUPPLEMENTARY SCHEDULES

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ALL UNRESTRICTED FUNDS
For The Year Ended June 30, 1997

	Administration	Resource Development	Total
REVENUES:			
Contributions	\$ 0	\$ 129,775	\$ 129,775
In-Kind Donations	0	172,354	172,354
Special Events	0	50,460	50,460
Service Fees	43,023	0	43,023
United Way	0	0	0
Non Govt. Grants	0	0	0
Government Grants	0	0	0
Federal Grants	0	70,088	70,088
County Grants	0	0	0
City Grants	0	0	0
State Grants	0	0	0
Membership Fees	0	0	0
Program Income	5,702	0	5,702
Sales	0	0	0
Miscellaneous	4,794	0	4,794
Total Revenues	53,519	422,677	476,196
EXPENDITURES:			
Salaries	240,588	74,937	315,525
Benefits	37,763	10,867	48,630
Taxes	29,379	8,015	37,394
Fees For Services	83,494	71,804	155,298
Supplies/Services	30,033	4,455	34,488
Telephone	5,623	787	6,410
Postage	2,490	5,819	8,309
Occupancy	36,881	11,075	47,956
Equipment	30,638	1,219	31,857
Printing/Publication	4,021	15,568	19,589
Travel	1,904	9,591	11,495
Conferences/Training	0	6,443	6,443
Individual Assistance	0	273	273
Memberships	0	0	0
Asset Acquisition	0	0	0
In-Kind Materials	0	172,354	172,354
Total Expenditures	502,814	393,207	896,021
Excess of Revenues Over, -Under Expenditures	-449,295	29,470	-419,825
Other Financing Sources, -Uses:			
Transfers In	351,238	0	351,238
Transfers Out	-6,353	-62,504	-68,857
Total Other Sources, -Uses	344,885	-62,504	282,381
Excess of Revenue and Other Sources Over -Under Expenditures and Other Uses	-104,410	-33,034	-137,444
Beginning Net Assets	7,051	-53,988	-46,937
Ending Net Assets	\$ -97,359	\$ -87,022	\$ -184,381

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ADMINISTRATION
For The Year Ended June 30, 1997

	Administration	Budget	Variance Favorable -Unfavorable
REVENUES:			
Contributions	\$ 0	\$ 0	\$ 0
Special Events	0	0	0
Service Fees	43,023	0	43,023
United Way	0	0	0
Non Govt. Grants	0	0	0
Government Grants:			
Federal Grants	0	0	0
County Grants	0	0	0
City Grants	0	0	0
State grants	0	0	0
Membership Fees	0	0	0
Program Income	5,702	0	5,702
Sales	0	0	0
Miscellaneous	4,794	0	4,794
Total Revenues	53,519	0	53,519
EXPENDITURES:			
Salaries	240,588	203,394	-37,194
Benefits	37,763	31,821	-5,942
Taxes	29,379	24,941	-4,438
Fees For Services	83,494	68,801	-14,693
Supplies/Services	30,033	19,350	-10,683
Telephone	5,623	4,300	-1,323
Postage	2,490	2,150	-340
Occupancy	36,881	39,131	2,250
Equipment	30,638	25,801	-4,837
Printing/Publication	4,021	8,600	4,579
Travel	1,904	1,720	-184
Conferences/Training	0	0	0
Individual Assistance	0	0	0
Memberships	0	0	0
Asset Acquisition	0	0	0
Total Expenditures	502,814	430,009	-72,805
Excess of Revenues Over, -Under Expenditures	-449,295	-430,009	-19,286
Other Financing Sources, -Uses:			
Transfers In	351,238	430,009	-78,771
Transfers Out	-6,353	0	6,353
Total Other Sources, -Uses	344,885	430,009	-72,418
Excess of Revenues and Other Sources Over, -Under Expenditures and Other Sources	-104,410	0	-104,410
Beginning Net Assets	7,051	0	7,051
Ending Net Assets	\$ -97,359	\$ 0	\$ -97,359

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
RESOURCE DEVELOPMENT
For The Year Ended June 30, 1997

	Resource Development	Budget	Variance Favorable -Unfavorable
REVENUES:			
Contributions	\$ 129,775	\$ 84,250	\$ 45,525
In-Kind Donations	172,354	0	172,354
Special Events	50,460	54,000	-3,540
United Way	0	8,000	-8,000
Non Govt Grants	0	81,500	-81,500
Government Grants			
Federal Grants	70,088	0	70,088
County Grants	0	0	0
City Grants	0	0	0
State Grants	0	0	0
Membership Fees	0	0	0
Programs Income	0	0	0
Sales	0	0	0
Miscellaneous	0	0	0
Total Revenues	422,677	227,750	194,927
EXPENDITURES:			
Salaries	74,937	78,996	4,059
Benefits	10,867	11,140	273
Taxes	8,015	9,105	1,090
Fees For Services	71,804	55,100	-16,704
Supplies/Services	4,455	8,020	3,565
Telephone	787	800	13
Postage	5,819	5,500	-319
Occupancy	11,075	8,880	-2,195
Equipment	1,219	500	-719
Printing/Publication	15,568	16,222	654
Travel	9,591	1,500	-8,091
Conferences/Training	6,443	4,750	-1,693
Individual Assistance	273	25	-248
Memberships	0	0	0
Asset Acquisition	0	0	0
In-Kind Materials	172,354	0	-172,354
Total Expenditures	393,207	200,538	-192,669
Excess of Revenues Over, -Under Expenditures	29,470	27,212	2,258
Other Financing Sources, -Uses:			
Transfers Out	-62,504	-22,827	39,677
Total Other Sources, -Uses	-62,504	-22,827	39,677
Excess of Revenues Over, -Under Expenditures and Other Uses	-33,034	4,385	-37,419
Beginning Net Assets	-53,988	0	-53,988
Ending Net Assets	\$ -87,022	\$ 4,385	\$ -91,407

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ALL RESTRICTED FUNDS
For The Year Ended June 30, 1997

	Client Services	Child Development	Housing & Energy	Multi-Service Center	Total Restricted
REVENUES:					
Contributions	\$ 50,470	\$ 1,476	\$ 48,878	\$ 0	\$ 100,824
Special Events	0	0	0	0	0
Service Fees	1,616	9,314	72,750	0	83,680
United Way	0	0	0	0	0
Non Govt. Grants	6,017	228	32,173	0	38,418
Government Grants					
Federal Grants	216,963	1,620,780	1,035,327	0	2,873,070
County Grants	15,000	0	45,150	0	60,150
City Grants	27,056	19,044	53,500	0	99,600
State Grants	23,500	468,210	198,886	0	690,596
Membership Fees	0	0	0	0	0
Program Income	1,489	100,255	112,933	0	214,677
Sales	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Total Revenues	342,111	2,219,307	1,599,597	0	4,161,015
EXPENDITURES:					
Salaries	90,125	1,187,024	465,101	0	1,742,250
Benefits	14,460	218,056	54,959	0	287,475
Taxes	10,060	137,203	54,232	0	201,495
Fees For Services	24,733	38,830	382,118	0	445,681
Supplies/Services	3,165	128,124	143,497	0	274,786
Telephone	9,117	20,845	7,315	0	37,277
Postage	1,160	1,529	1,322	0	4,011
Occupancy	38,614	210,513	63,791	0	312,918
Equipment	4,832	20,715	10,669	0	36,216
Printing/Publication	664	2,077	3,255	0	5,996
Travel	3,047	68,824	10,378	0	82,249
Conferences/Training	1,862	18,673	3,874	0	24,409
Individual Assistance	84,512	8,262	320,808	0	413,582
Memberships	0	0	0	0	0
Asset Acquisition	0	0	0	0	0
Total Expenditures	286,351	2,060,675	1,521,319	0	3,868,345
Excess of Revenues Over, -Under Expenditures	55,760	158,632	78,278	0	292,670
Other Financing Sources, -Uses:					
Transfers In	0	0	0	38,275	38,275
Transfers Out	-63,640	-162,236	-94,780	0	-320,656
Total Other Sources, -Uses	-63,640	-162,236	-94,780	38,275	-282,381
Excess of Revenues Over, -Under Expenditures and Other Uses	-7,880	-3,604	-16,502	38,275	10,289
Beginning Net Assets	-18,445	-24,451	71,247	-232,715	-204,364
Ending Net Assets	\$ -26,325	\$ -28,055	\$ 54,745	\$ -194,440	\$ -194,075

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
CLIENT SERVICES PROGRAMS
For The Year Ended June 30, 1997

	Intake and Info. Referral	CSBG Allocation	CDBG Homeless Prevention	EHA Homeless	WESTCO	Farmworkers Advocate	Neighborshare
REVENUES:							
Contributions	\$ 30,292	\$ 0	\$ 0	\$ 0	\$ 5,997	\$ 0	\$ 14,181
Special Events	0	0	0	0	0	0	0
Service Fees	0	0	0	0	1,616	0	0
United Way	0	0	0	0	0	0	0
Non Govt. Grants	4,800	0	0	0	0	0	1,217
Government Grants:							
Federal Grants	0	132,870	0	0	0	24,351	5,083
County Grants	15,000	0	0	0	0	0	0
City Grants	27,056	0	0	0	0	0	0
State Grants	0	0	0	23,500	0	0	0
Membership Fees	0	0	0	0	0	0	0
Program Income	1,139	0	0	0	350	0	0
Sales	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0
Total Revenues	78,287	132,870	0	23,500	7,963	24,351	20,481
EXPENDITURES:							
Salaries	24,097	33,414	0	18,948	0	12,556	0
Benefits	972	10,899	0	1,231	0	1,358	0
Taxes	1,352	5,098	0	2,146	0	1,336	0
Fees For Services	7,522	0	0	1,175	115	5,004	0
Supplies/Services	682	2,265	0	0	10	0	208
Telephone	1,246	7,871	0	0	0	0	0
Postage	22	1,126	0	0	12	0	0
Occupancy	951	37,620	0	0	0	0	43
Equipment	0	4,832	0	0	0	0	0
Printing/Publication	179	392	0	0	93	0	0
Travel	181	2,777	0	0	0	0	89
Conferences/Training	0	1,862	0	0	0	0	0
Individual Assistance	3,864	21	0	0	8,748	4,097	25,278
Memberships	0	0	0	0	0	0	0
Asset Acquisition	0	0	0	0	0	0	0
Total Expenditures	41,068	108,177	0	23,500	8,978	24,351	25,618
Excess of Revenues Over, -Under Expenditures	37,219	24,693	0	0	-1,015	0	-5,137
Other Financing Sources, -Uses:							
Transfers In	0	0	0	0	0	0	0
Transfers Out	-38,947	-24,693	0	0	0	0	0
Total Other Sources, -Uses	-38,947	-24,693	0	0	0	0	0
Excess of Revenues Over, -Under Expenditures and Other Uses	-1,728	0	0	0	-1,015	0	-5,137
Beginning Net Assets	-16,176	0	-51	0	901	0	-3,119
Ending Net Assets	\$ -17,904	0	-51	\$ 0	\$ -114	\$ 0	\$ -8,256

<u>FEMA</u>	<u>Total Client Services</u>	<u>Budget</u>	<u>Variance Favorable -Unfavorable</u>
\$ 0	\$ 50,470	\$ 27,000	\$ 23,470
0	0	0	0
0	1,616	0	1,616
0	0	93,186	-93,186
0	6,017	0	6,017
	0		
54,659	216,963	571,963	-355,000
0	15,000	0	15,000
0	27,056	0	27,056
0	23,500	0	23,500
0	0	0	0
0	1,489	68,016	-66,527
0	0	0	0
0	0	0	0
<u>54,659</u>	<u>342,111</u>	<u>760,165</u>	<u>-418,054</u>
1,110	90,125	217,379	127,254
0	14,460	29,642	15,182
128	10,060	27,447	17,387
10,917	24,733	8,228	-16,505
0	3,165	4,025	860
0	9,117	10,500	1,383
0	1,160	2,250	1,090
0	38,614	44,765	6,151
0	4,832	3,000	-1,832
0	664	7,200	6,536
0	3,047	4,000	953
0	1,862	3,850	1,988
42,504	84,512	318,814	234,302
0	0	0	0
0	0	0	0
<u>54,659</u>	<u>286,351</u>	<u>681,100</u>	<u>681,100</u>
<u>0</u>	<u>55,760</u>	<u>79,065</u>	<u>23,305</u>
0	0	0	0
0	-63,640	-79,065	-15,425
<u>0</u>	<u>-63,640</u>	<u>-79,065</u>	<u>-15,425</u>
0	-7,880	0	-7,880
0	-18,445	0	-18,445
<u>\$ 0</u>	<u>\$ -26,325</u>	<u>\$ 0</u>	<u>\$ -26,325</u>

COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ALL CHILD DEVELOPMENT PROGRAMS
For The Year Ended June 30, 1997

	Head Start	Gaston Child Care Center	Headstart Restricted Non-Federal	Headstart USDA	Even Start PCC	FCWT Consolidation
REVENUES:						
Contributions	\$ 0	\$ 0	1,476	\$ 0	\$ 0	\$ 0
Special Events	0	0	0	0	0	0
Service Fees	590	0	663	8,061	0	0
United Way	0	0	0	0	0	0
Non Govt. Grants	0	0	228	0	0	0
Government Grants						
Federal Grants	1,510,301	0	0	100,479	0	10,000
County Grants	0	0	0	0	0	0
City Grants	0	17,322	1,722	0	0	0
State Grants	468,210	0	0	0	0	0
Membership Fees	0	0	0	0	0	0
Program Income	2,167	21,392	2,868	0	53,828	20,000
Sales	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	1,981,268	38,714	6,957	108,540	53,828	30,000
EXPENDITURES:						
Salaries	1,103,976	25,786	0	591	28,421	28,250
Benefits	199,664	10,779	0	5,362	2,251	0
Taxes	127,154	3,773	0	2,912	3,364	0
Fees For Services	36,550	175	0	355	0	1,750
Supplies/Services	37,722	640	5,618	79,122	5,022	0
Telephone	19,530	343	0	0	972	0
Postage	1,384	0	0	0	145	0
Occupancy	191,170	587	0	7,442	11,314	0
Equipment	20,102	0	365	248	0	0
Printing/Publication	2,077	0	0	0	0	0
Travel	68,442	0	0	0	382	0
Conferences/Training	18,355	289	20	0	9	0
Individual Assistance	8,262	0	0	0	0	0
Memberships	0	0	0	0	0	0
Asset Acquisition	0	0	0	0	0	0
Total Expenditures	1,834,388	42,372	6,003	96,032	51,880	30,000
Excess of Revenues Over, -Under Expenditures	146,880	-3,658	954	12,508	1,948	0
Other Financing Sources, -Uses:						
Transfers In	0	0	0	0	0	0
Transfers Out	-140,870	-4,100	-954	-12,000	-4,312	0
Other Sources, -Uses	-140,870	-4,100	-954	-12,000	-4,312	0
Excess of Revenues Over, -Under Expenditures and Other Uses	6,010	-7,758	0	508	-2,364	0
Beginning Net Assets	-24,338	-566	-1,836	2,289	0	0
Ending Net Assets	\$ -18,328	\$ -8,324	-1,836	\$ 2,797	\$ -2,364	\$ 0

Total	Budget	Variance Favorable -Unfavorable
\$ 1,476	\$ 6,650	\$ -5,174
0	0	0
9,314	0	9,314
0	0	0
228	0	228
0		
1,620,780	2,196,222	-575,442
0	0	0
19,044	0	19,044
468,210	0	468,210
0	0	0
100,255	113,140	-12,885
0	10,000	-10,000
0	0	0
<u>2,219,307</u>	<u>2,326,012</u>	<u>-106,705</u>
1,187,024	1,221,851	34,827
218,056	164,434	-53,622
137,203	152,254	15,051
38,830	35,000	-3,830
128,124	137,053	8,929
20,845	17,675	-3,170
1,529	1,950	421
210,513	257,745	47,232
20,715	19,100	-1,615
2,077	13,900	11,823
68,824	67,075	-1,749
18,673	14,300	-4,373
8,262	5,817	-2,445
0	0	0
0	0	0
<u>2,060,675</u>	<u>2,108,154</u>	<u>47,479</u>
158,632	217,858	-59,226
0	0	0
<u>-162,236</u>	<u>-217,858</u>	<u>-55,622</u>
<u>-162,236</u>	<u>-217,858</u>	<u>-55,622</u>
-3,604	0	-3,604
<u>-24,451</u>	<u>0</u>	<u>24,451</u>
<u>\$ -28,055</u>	<u>\$ 0</u>	<u>\$ -28,055</u>

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

RECONCILIATION OF HEADSTART REVENUE AND EXPENDITURES
TO HEADSTART BUDGETS
For The Year Ended June 30, 1997

Revenue:

Headstart Grant Per Financial Statement
Presented on page 18

\$ 1,981,268

Total Receipts From Headstart

\$ 1,981,268

Expenditure:

Total Headstart Expenditures

\$ 1,975,258

Encumbrances from Outstanding Contracts

0

Total Headstart Expenditures Charged to 96-97 Grant

\$ 1,975,258

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
HOUSING AND ENERGY PROGRAMS
For The Year Ended June 30, 1997

	Housing Advocacy	Energy Program	Shelter and Transitional Housing Programs	Total	Budget	Variance Favorable -Unfavorable
REVENUES:						
Contributions	\$ 368	\$ 500	\$ 48,010	\$ 48,878	\$ 17,854	\$ 31,024
Special Events	0	0	0	0	0	0
Service Fees	57,693	8,867	6,190	72,750	0	72,750
United Way	0	0	0	0	0	0
Non Govt. Grants	32,173	0	0	32,173	100,500	-68,327
Government Grants						
Federal Grants	143,963	684,463	206,901	1,035,327	878,811	156,516
County Grants	0	30,000	15,150	45,150	0	45,150
City Grants	0	0	53,500	53,500	0	53,500
State Grants	0	1,200	197,686	198,886	0	198,886
Membership Fees	0	0	0	0	0	0
Program Income	60,021	45,359	7,553	112,933	42,101	70,832
Sales	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	294,218	770,389	534,990	1,599,597	1,039,266	560,331
EXPENDITURES:						
Salaries	89,039	132,959	243,103	465,101	304,855	-160,246
Benefits	4,647	16,172	34,140	54,959	26,742	-28,217
Taxes	8,147	14,968	31,117	54,232	22,969	-31,263
Fees For Services	151,985	85,137	144,996	382,118	340,359	-41,759
Supplies/Services	1,536	135,589	6,372	143,497	120,164	-23,333
Telephone	0	2,403	4,912	7,315	7,600	285
Postage	104	350	868	1,322	2,650	1,328
Occupancy	1,938	28,511	33,342	63,791	37,274	-26,517
Equipment	449	4,192	6,028	10,669	2,500	-8,169
Printing/Publication	718	2,070	467	3,255	7,328	4,073
Travel	1,892	3,602	4,884	10,378	7,033	-3,345
Conferences/Training	436	1,834	1,604	3,874	6,753	2,879
Individual Assistance	19,475	287,661	13,672	320,808	42,780	-278,028
Memberships	0	0	0	0	0	0
Asset Acquisition	0	0	0	0	0	0
Total Expenditures	280,366	715,448	525,505	1,521,319	929,007	-592,312
Excess of Revenues Over, -Under Expenditures	13,852	54,941	9,485	78,278	110,259	-31,981
Other Financing Sources, -Uses:						
Transfers In	0	0	0	0	0	0
Transfers Out	-15,440	-53,974	-25,366	-94,780	-110,259	-15,479
Total Other Sources, -Uses	-15,440	-53,974	-25,366	-94,780	-110,259	15,479
Excess of Revenues Over, -Under Expenditures and Other Uses	-1,588	967	-15,881	-16,502	0	-16,502
Beginning Net Assets	3,969	62,257	5,021	71,247	0	71,247
Ending Net Assets	\$ 2,381	\$ 63,224	\$ -10,860	\$ 54,745	\$ 0	\$ 54,745

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
HOUSING ADVOCACY PROGRAMS
For The Year Ended June 30, 1997

	Housing Development Corporation	CDBG Housing Services	CSBG Allocation	Affordable Housing Planning	Farmworker Housing Land Trust	NW Area Foundation Grant
REVENUES:						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Special Events	0	0	0	0	0	0
Service Fees	0	0	0	0	0	57,693
United Way	0	0	0	0	0	0
Non Govt. Grants	0	0	0	0	0	0
Government Grants						
Federal Grants	0	67,700	7,320	0	25,500	0
County Grants	0	0	0	0	0	0
City Grants	0	0	0	0	0	0
State Grants	0	0	0	0	0	0
Membership Fees	0	0	0	0	0	0
Program Income	29,535	0	0	0	0	15,139
Sales	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	29,535	67,700	7,320	0	25,500	72,832
EXPENDITURES:						
Salaries	25,878	14,831	5,890	0	0	18,411
Benefits	990	2,576	0	0	0	0
Taxes	2,523	1,045	610	0	0	1,505
Fees For Services	0	46,248	0	0	25,500	25,079
Supplies/Services	0	0	0	0	0	0
Telephone	0	0	0	0	0	0
Postage	85	0	0	0	0	3
Occupancy	0	0	820	0	0	0
Equipment	0	0	0	0	0	449
Printing/Publication	0	0	0	0	0	0
Travel	0	0	0	0	0	524
Conferences/Training	0	0	0	0	0	0
Individual Assistance	0	0	0	0	0	19,475
Memberships	0	0	0	0	0	0
Asset Acquisition	0	0	0	0	0	0
Total Expenditures	29,476	64,700	7,320	0	25,500	65,446
Excess of Revenues Over, -Under Expenditures	59	3,000	0	0	0	7,386
Other Financing Sources, -Uses:						
Transfers In	0	0	0	0	0	0
Transfers Out	-48	-3,000	0	0	0	-7,380
Total Other Sources, -Uses	-48	-3,000	0	0	0	-7,380
Excess of Revenues Over, -Under Expenditures and Other Uses	11	0	0	0	0	6
Beginning Net Assets	25	0	0	2,269	0	0
Ending Net Assets	\$ 36	\$ 0	\$ 0	\$ 2,269	\$ 0	\$ 6

Fair Housing History	ITAG Aloha Park	HUD PTAG	CLF/UL	Resident Relations Coordinator	Total Housing Advocacy
\$ 368	\$ 0	\$ 0	\$ 0	\$ 0	368
0	0	0	0	0	0
0	0	0	0	0	57,693
0	0	0	0	0	0
0	14,892	0	17,281	0	32,173
0	16,061	27,382	0	0	143,963
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
649	0	0	0	14,698	60,021
0	0	0	0	0	0
0	0	0	0	0	0
<u>1,017</u>	<u>30,953</u>	<u>27,382</u>	<u>17,281</u>	<u>14,698</u>	<u>294,218</u>
0	1,019	1,968	8,111	12,931	89,039
0	0	0	654	427	4,647
0	89	157	878	1,340	8,147
100	29,843	25,215	0	0	151,985
43	0	0	1,493	0	1,536
0	0	0	0	0	0
0	2	0	14	0	104
1,118	0	0	0	0	1,938
0	0	0	0	0	449
220	0	0	498	0	718
923	0	10	435	0	1,892
288	0	32	116	0	436
0	0	0	0	0	19,475
0	0	0	0	0	0
0	0	0	0	0	0
<u>2,692</u>	<u>30,953</u>	<u>27,382</u>	<u>12,199</u>	<u>14,698</u>	<u>280,366</u>
<u>-1,675</u>	<u>0</u>	<u>0</u>	<u>5,082</u>	<u>0</u>	<u>13,852</u>
0	0	0	0	0	0
0	0	0	-5,012	0	-15,440
0	0	0	-5,012	0	-15,440
-1,675	0	0	70	0	-1,588
<u>1,675</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,969</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 70</u>	<u>\$ 0</u>	<u>2,381</u>

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ENERGY PROGRAMS

For The Year Ended June 30, 1997

	PGE Rebates	N.W. Gas Rebates	D. O. E. Weatherization	Housing General	LIEAP Weather- ization	CDBG Comprehensive
REVENUES:						
Contributions	\$ 0	\$ 0	\$ 0	\$ 500	\$ 0	\$ 0
Special Events	0	0	0	0	0	0
Service Fees	7,924	0	0	943	0	0
United Way	0	0	0	0	0	0
Non Govt. Grants	0	0	0	0	0	0
Government Grants						
Federal Grants	0	0	68,205	0	229,614	19,991
County Grants	0	0	0	30,000	0	0
City Grants	0	0	0	0	0	0
State Grants	1,200	0	0	0	0	0
Membership Fees	0	0	0	0	0	0
Program Income	32,089	8,246	0	5,024	0	0
Sales	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	<u>41,213</u>	<u>8,246</u>	<u>68,205</u>	<u>36,467</u>	<u>229,614</u>	<u>19,991</u>
EXPENDITURES:						
Salaries	1,464	0	13,332	0	56,417	0
Benefits	1,220	0	6,016	750	5,701	0
Taxes	0	0	1,260	192	6,569	0
Fees For Services	2,201	1	10,273	28,710	23,832	19,591
Supplies/Services	632	0	21,699	169	109,803	0
Telephone	2	0	1,165	830	344	0
Postage	47	0	0	303	0	0
Occupancy	9,999	1,203	4,968	1,119	11,222	0
Equipment	1,949	0	616	1,011	616	0
Printing/Publication	1,110	0	0	960	0	0
Travel	2,383	0	1,052	118	49	0
Conferences/Training	203	0	1,193	0	438	0
Individual Assistance	0	0	0	0	0	0
Memberships	0	0	0	0	0	0
Asset Acquisition	0	0	0	0	0	0
Total Expenditures	<u>21,210</u>	<u>1,204</u>	<u>61,574</u>	<u>34,162</u>	<u>214,991</u>	<u>19,591</u>
Excess of Revenues Over, -Under Expenditures	<u>20,003</u>	<u>7,042</u>	<u>6,631</u>	<u>2,305</u>	<u>14,623</u>	<u>400</u>
Other Financing Sources, -Uses:						
Transfers In	0	0	0	0	0	0
Transfers Out	<u>-20,003</u>	<u>-7,042</u>	<u>-6,629</u>	<u>-1,340</u>	<u>-14,623</u>	<u>-400</u>
Total Other Sources, -Uses	<u>-20,003</u>	<u>-7,042</u>	<u>-6,629</u>	<u>-1,340</u>	<u>-14,623</u>	<u>-400</u>
Excess of Revenues Over, -Under Expenditures and Other Uses	0	0	2	965	0	0
Beginning Net Assets	<u>42,200</u>	<u>20,043</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Net Assets	<u>\$ 42,200</u>	<u>\$ 20,043</u>	<u>\$ 2</u>	<u>\$ 965</u>	<u>\$ 0</u>	<u>\$ 0</u>

BPA Weather- ization	CDBG Self-Help Weather- ization	LIEAP Fuel Asst. Admin	LIEAP Fuel - Client Reimbursement	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 500
0	0	0	0	0
0	0	0	0	8,867
0	0	0	0	0
0	0	0	0	0
5,315	24,988	48,689	287,661	684,463
0	0	0	0	30,000
0	0	0	0	0
0	0	0	0	1,200
0	0	0	0	0
0	0	0	0	45,359
0	0	0	0	0
0	0	0	0	0
<u>5,315</u>	<u>24,988</u>	<u>48,689</u>	<u>287,661</u>	<u>770,389</u>
986	20,419	40,341	0	132,959
0	1,244	1,241	0	16,172
0	2,338	4,609	0	14,968
0	529	0	0	85,137
3,286	0	0	0	135,589
0	0	62	0	2,403
0	0	0	0	350
0	0	0	0	28,511
0	0	0	0	4,192
0	0	0	0	2,070
0	0	0	0	3,602
0	0	0	0	1,834
0	0	0	287,661	287,661
0	0	0	0	0
0	0	0	0	0
<u>4,272</u>	<u>24,530</u>	<u>46,253</u>	<u>287,661</u>	<u>715,448</u>
<u>1,043</u>	<u>458</u>	<u>2,436</u>	<u>0</u>	<u>54,941</u>
0	0	0	0	0
<u>-1,043</u>	<u>-458</u>	<u>-2,436</u>	<u>0</u>	<u>-53,974</u>
<u>-1,043</u>	<u>-458</u>	<u>-2,436</u>	<u>0</u>	<u>-53,974</u>
0	0	0	0	967
0	0	0	14	62,257
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14</u>	<u>\$ 63,224</u>

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
SHELTER AND TRANSITIONAL HOUSING PROGRAMS
For The Year Ended June 30, 1997

	CSBG Allocation	SHAP	ESG Transitional Housing	Shelter Home Operations	IHIP	EHA
REVENUES:						
Contributions	\$ 0	\$ 0	\$ 0	\$ 37,539	\$ 0	\$ 0
Special Events	0	0	0	0	0	0
Service Fees	0	3,323	0	2,867	0	0
United Way	0	0	0	0	0	0
Non Govt. Grants	0	0	0	0	0	0
Government Grants						
Federal Grants	34,288	0	14,175	0	7,018	0
County Grants	0	0	0	0	0	0
City Grants	0	0	0	48,500	0	0
State Grants	0	67,441	0	0	0	130,245
Membership Fees	0	0	0	0	0	0
Program Income	0	0	0	0	0	0
Sales	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	<u>34,288</u>	<u>70,764</u>	<u>14,175</u>	<u>88,906</u>	<u>7,018</u>	<u>130,245</u>
EXPENDITURES:						
Salaries	20,823	36,445	11,588	32,582	0	29,154
Benefits	5,065	6,231	0	8,343	0	2,994
Taxes	0	6,738	1,912	8,323	0	2,431
Fees For Services	3,447	2,559	0	27,204	7,018	90,816
Supplies/Services	0	2,085	0	2,802	0	1,346
Telephone	22	1,278	0	1,834	0	1,734
Postage	0	181	0	11	0	676
Occupancy	1,044	7,917	0	3,731	0	6,998
Equipment	1,122	791	0	1,915	0	0
Printing/Publication	0	243	0	184	0	40
Travel	0	555	0	1,665	0	10
Conferences/Training	0	421	0	906	0	0
Individual Assistance	0	152	0	147	0	0
Memberships	0	0	0	0	0	0
Asset Acquisition	0	0	0	0	0	0
Total Expenditures	<u>31,523</u>	<u>65,596</u>	<u>13,500</u>	<u>89,647</u>	<u>7,018</u>	<u>136,199</u>
Excess of Revenues Over, -Under Expenditures	<u>2,765</u>	<u>5,168</u>	<u>675</u>	<u>-741</u>	<u>0</u>	<u>-5,954</u>
Other Financing Sources, -Uses:						
Transfers In	0	0	0	0	0	0
Transfers Out	-2,765	-4,840	-675	-1,334	0	-8,336
Total Other Sources, -Uses	<u>-2,765</u>	<u>-4,840</u>	<u>-675</u>	<u>-1,334</u>	<u>0</u>	<u>-8,336</u>
Excess of Revenues Over, -Under Expenditures and Other Uses	0	328	0	-2,075	0	-14,290
Beginning Net Assets	0	-256	0	5,344	0	-352
Ending Net Assets	<u>\$ 0</u>	<u>\$ 72</u>	<u>\$ 0</u>	<u>\$ 3,269</u>	<u>\$ 0</u>	<u>\$ -14,642</u>

CO. Transitional Housing	SAFAH	Shelter Homeless Coalition	Total Shelter & Transitional Housing
\$ 0	\$ 0	\$ 10,471	\$ 48,010
0	0	0	0
0	0	0	6,190
0	0	0	0
0	0	0	0
0	151,420	0	206,901
15,150	0	0	15,150
5,000	0	0	53,500
0	0	0	197,686
0	0	0	0
0	90	7,463	7,553
0	0	0	0
0	0	0	0
<u>20,150</u>	<u>151,510</u>	<u>17,934</u>	<u>534,990</u>
17,398	88,333	6,780	243,103
219	11,288	0	34,140
2,490	9,155	68	31,117
0	9,350	4,602	144,996
0	95	44	6,372
0	0	44	4,912
0	0	0	868
35	12,460	1,157	33,342
0	0	2,200	6,028
0	0	0	467
0	417	2,237	4,884
0	277	0	1,604
0	12,780	593	13,672
0	0	0	0
0	0	0	0
<u>20,142</u>	<u>144,155</u>	<u>17,725</u>	<u>525,505</u>
<u>8</u>	<u>7,355</u>	<u>209</u>	<u>9,485</u>
0	0	0	0
0	-7,215	-201	-25,366
<u>0</u>	<u>-7,215</u>	<u>-201</u>	<u>-25,366</u>
8	140	8	-15,881
0	0	285	5,021
<u>\$ 8</u>	<u>\$ 140</u>	<u>\$ 293</u>	<u>\$ -10,860</u>

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GRANT COMPLIANCE REVIEW

COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

SCHEDULE OF FEDERAL FINANCIAL AWARDS
For The Year Ended June 30, 1997

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTORS NUMBER	PROGRAM OR AWARD AMOUNT
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct From Department of Health and Human Services:			
Headstart	13.600	10CH0071/31	\$ 1,510,301
Passed Through Oregon State Department of Housing and Community Services:			
Community Services Block Grant - 1996	93.569	CS - 95/97 - 70199	177,399
Community Services Block Grant - 1997	93.569	CS - 95/97 - 70199	88,699
Total Community Services Block Grant			
LIEAP Weatherization - 1996	93.568	N/A	191,748
LIEAP Weatherization - 1997	93.568	N/A	
LIEAP Administration - 1997	93.568	N/A	49,471
LIEAP Fuel - Client Reimbursement - 1996	93.568	N/A	261,499
LIEAP Fuel - Client Reimbursement - 1997	93.568	N/A	296,827
Total LIEAP			
Temporary Assistance to Needy Families	93.558	CS - 95/97 - 70199	15,000
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct From Department of Housing and Urban Development:			
Preservation Technical Assistance Grant	14.187	N/A	117,567
Passed Through the Network for Oregon Affordable Housing (NCAH):			
ITAG	N/A	N/A	16,061
Passed Through Oregon State Department of Community Services:			
Supplemental Assistance for Facilities to Assist the Homeless	14.235	CD - 95/97 - 70199	308,932
Farmworkers Housing Land Trust	N/A	S-95/97 70199NOA-OO4F	56,500
Innovative Homeless Initiative Program (IHIP)	14.245	CD - 95/97 - 70199	7,246
Passed Through Washington County Department of Housing Services:			
Community Development Block Grant:			
Self Help Weatherization	93.569	N/A	25,000
Comprehensive Weatherization	93.569	N/A	20,000
Housing Services	93.569	N/A	67,700
Farmworker Outreach	93.569	N/A	24,351
Total Community Development Block Grant			
Emergency Shelter Grant (ESG)			
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			

<u>GRANT PERIOD</u>	<u>DEF. REV -ACCTS REC. July 1, 1996</u>	<u>RECEIPTS</u>	<u>EXPENDITURES</u>	<u>DEF. REV -ACCTS REC. June 30, 1997</u>
7/01/96-6/30/97	\$ 0	1,510,301	1,510,301	0
7/01/95-6/30/97	0	177,399	177,399	0
7/01/95-6/30/97	0	6,089	77,167	-71,078
	0	183,488	254,566	-71,078
1/01/95-12/31/96	0	191,775	191,748	27
1/01/96-12/31/97	0	0	37,866	-37,866
10/01/96-09/30/97	0	48,708	48,689	19
10/01/95-09/30/96	0	18,300	18,300	0
10/01/96-09/30/97	0	269,420	269,361	59
	0	528,203	565,964	-37,761
7/01/95-6/30/97	0	10,398	10,398	0
	0	2,232,390	2,341,229	-108,839
7/01/96-6/30/98	0	32,388	27,382	5,006
7/01/96-9/30/97	0	16,061	16,061	0
7/01/96-9/30/97	0	151,420	151,420	0
7/01/95-9/30/96	25,500	0	25,500	0
7/01/96-9/30/97	0	7,018	7,018	0
7/01/96-6/30/97	0	25,000	24,988	12
7/01/96-6/30/97	0	6,831	19,991	-13,160
7/01/96-6/30/97	0	49,455	67,700	-18,245
7/01/96-6/30/97	0	24,351	24,351	0
	0	105,637	137,030	-31,393
	0	14,175	14,175	0
	25,500	326,699	378,586	-26,387

COMMUNITY ACTION ORGANIZATION
WASHINGTON COUNTY, OREGON

SCHEDULE OF FEDERAL FINANCIAL AWARDS
 For The Year Ended June 30, 1997

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTORS NUMBER	PROGRAM OR AWARD AMOUNT
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through United Way:			
FEMA Food & Shelter Program	83.523	N/A	61,907
FEMA Food & Shelter Program	83.523	N/A	61,923
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			
<u>DEPARTMENT OF ENERGY</u>			
Passed Through Oregon State Department of Community Services:			
Weatherization Assistance for Low Income Persons	81.042	CD - 95/97 - 70199	104,828
TOTAL DEPARTMENT OF ENERGY			
<u>DEPARTMENT OF AGRICULTURE</u>			
Passed Through Oregon State Department of Education:			
National School Lunch Program - Headstart Meals	10.558	N/A	N/A
TOTAL DEPARTMENT OF AGRICULTURE			

TOTAL FEDERAL ASSISTANCE

(1) Major Program

Reconciliation to Revenue:

Receipts of Federal Awards

Plus Deferred Revenue 7/1/96

Plus Grants Receivable/Less Deferred Revenue 6/30/97

Revenue Recognized in Financial Statements

<u>GRANT PERIOD</u>	<u>DEF. REV -ACCTS REC. July 1, 1996</u>	<u>RECEIPTS</u>	<u>EXPENDITURES</u>	<u>DEF. REV -ACCTS REC. June 30, 1997</u>
7/01/95-6/30/96	8,112	0	8,112	0
7/01/96-6/30/97	0	46,547	46,547	0
	<u>8,112</u>	<u>46,547</u>	<u>54,659</u>	<u>0</u>
7/01/95-6/30/96	0	83,832	68,205	15,627
	0	83,832	68,205	15,627
7/1/96-6/30/97	0	100,479	100,479	0
	0	100,479	100,479	0
	<u>\$ 33,612</u>	<u>2,789,947</u>	<u>2,943,158</u>	<u>-119,599</u>

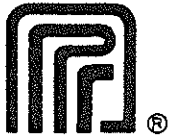
\$ 2,789,947

33,612

119,599

\$ 2,943,158

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

January 7, 1998

- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
- (503) 620-2632 • FAX (503) 684-7523

To the Board of Directors
Community Action Organization, Inc.
Washington County, Oregon

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of Community Action Organization, Washington County, Oregon, as of and for the year ended June 30, 1997, and have issued our report thereon dated January 7, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

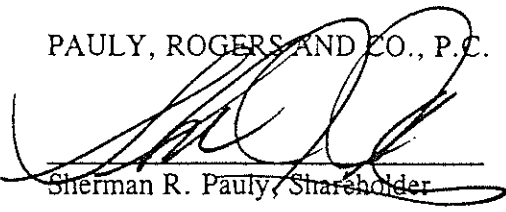
As part of obtaining reasonable assurance about whether Community Action Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material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

In planning and performing our audit, we considered Community Action Organization's, Washington County, Oregon, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

PAULY, ROGERS AND CO., P.C.

BY:


Sherman R. Pauly, Shareholder

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

January 7, 1998

- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
- (503) 620-2632 • FAX (503) 684-7523

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Community Action Organization
Washington County, Oregon

We have audited the compliance of Community Action Organization, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1997. Community Action Organization's, Washington County, Oregon, major federal programs are identified in the accompanying schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Community Action Organization's management. Our responsibility is to express an opinion on Community Action Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about Community Action Organization's, Washington County, Oregon, 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. Our audit does not provide a legal determination on Community Action Organization's, Washington County, Oregon, compliance with those requirements.

As described in the accompanying schedule of findings and questioned costs, we were unable to test whether Community Action Organization complied with requirements regarding the income level of the families of Headstart enrollees. Compliance with such requirements is necessary, in our opinion, for Community Action Organization to comply within our opinion, for Community Action Organization, Washington County, Oregon.

In our opinion, except for the noncompliance described in the preceding paragraph, Community Action Organization, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1997.

The management of Community Action Organization , is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Community Action Organization's, Washington County, Oregon, internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

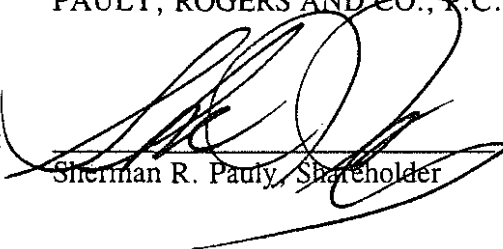
We noted a certain matter involving the internal control over compliance and its operation that we considered to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect Community Action Organization's, Washington County, Oregon, ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions described above is a material weakness. However we do not believe the reportable condition described above is a material weakness.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

PAULY, ROGERS AND CO., P.C.

BY:



Sherman R. Pauly, Shareholder

COMMUNITY ACTION ORGANIZATION, INC.
WASHINGTON COUNTY, OREGON

SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS
AND QUESTIONED COSTS RELATIVE TO FEDERAL AWARDS

For the Year Ended June 30, 1997

CURRENT YEAR AUDITORS' REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS:
UNQUALIFIED OPINION

CURRENT YEAR NONCOMPLIANCE, AUDIT FINDINGS AND QUESTIONED COSTS:

Head Start Program - CFDA No. 13.600; Grant No. 10CH0071/31; Grant period - Year ended June 30, 1997

Statement of Condition: Records which documented the income of the enrollees families were not maintained.

Criteria: At least 90 percent of the enrollees in the Headstart program must come from families whose income is below the official Federal poverty guidelines or who are receiving public assistance.

Effect of Condition: We were unable to test whether Community Action Organization complied with the above requirements. Noncompliance may lead to the cost of the assistance being disallowed.

Cause of the Condition: Community Action Organization adopted a policy to update the files after the completion of each year; this policy resulted in the disposal of records for enrollees who were no longer part of the program for fiscal year 1997-98.

Recommendation: We recommend that all records be maintained for current and previous enrollees.

Response: The Organization concurs with the auditor's recommendations. All records will be maintained in the future.

CURRENT YEAR AUDITORS' REPORT ON COMPLIANCE FOR MAJOR PROGRAMS:
QUALIFIED OPINION

PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

NONE

MAJOR PROGRAMS FOR THE YEAR ENDED JUNE 30, 1997:

HEADSTART - CFDA #13.600

LIEAP WEATHERIZATION - CFDA #93.568

DOLLAR THRESHOLD FOR DISTINGUISHING BETWEEN TYPE A AND B PROGRAMS:

\$300,000

LOW-RISK AUDIT QUALIFICATION:

Community Action Organization qualified as a low-risk auditee under section .530. of OMB Circular A-133, but the qualification was not used for purposes of reduced audit coverage as per section .520.

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