



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Pierce County Housing Authority

For the period January 1, 2019 through December 31, 2019

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**Office of the Washington State Auditor
Pat McCarthy**

June 22, 2021

Board of Commissioners
Pierce County Housing Authority
Tacoma, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Pierce County Housing Authority's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the Housing Authority's financial condition.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Pierce County Housing Authority January 1, 2019 through December 31, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Pierce County Housing Authority are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Housing Authority.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Housing Authority's compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.871	Housing Voucher Cluster – Section 8 Housing Choice Vouchers

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$865,413.

The Housing Authority did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2019-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2019-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Pierce County Housing Authority January 1, 2019 through December 31, 2019

2019-001 The Housing Authority's internal controls over accounting and financial reporting were inadequate to ensure accurate and timely reporting.

Background

Pierce County Housing Authority (Housing Authority) management, state and federal agencies, and the public rely on the information included in financial statements and reports to make decisions. Housing Authority management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.

The Housing Authority provides housing opportunities for eligible individuals in Pierce County. The Housing Authority owns and manages nine apartment complexes and provides housing assistance through the Low Income Public Housing program. The Housing Authority's operating expenses were roughly \$35.1 million in 2019, which includes \$26 million of housing assistance payments.

In the previous audit report dated December 13, 2019, we issued a finding over a material weakness in accounting and financial reporting internal controls that were inadequate to ensure accurate and timely reporting and the prevention of fraud. The Housing Authority relied on the former Finance Director for proper recording of all financial activities, including bank account activity, financial statement preparation and reporting, without adequate oversight and review.

The Housing Authority has taken action and implemented improvements since our prior year audit. However, it has only partially resolved the conditions noted.

Government Auditing Standards requires the auditor to communicate significant deficiencies, defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

In the current audit, we identified the following deficiencies in internal controls that, when taken together, represent a significant deficiency:

- The former Finance Director was placed on leave in August 2019 due to a reported fraud. The Housing Authority was without a Finance Director until October 2019, when it contracted with a consultant to act as an interim Finance Director and prepare its 2019 financial statements. The Housing Authority relied on the consultant for financial statement preparation and reporting, without adequate oversight and review.
- Staff members did not use the accounting system to perform bank reconciliations. Instead, they used off-the-shelf software to reconcile cash and investments activities. These duplicate systems made it more difficult to identify and resolve variances in a timely manner.
- The Housing Authority's secondary review of the financial statements was inadequate to detect and prevent errors before submitting the annual financial report for audit.

This issue was reported as a finding in the prior audit.

Cause of Condition

The Housing Authority experienced turnover in key finance staff and has not adequately trained staff responsible for recording financial transactions. The Housing Authority's use of off-the-shelf software to reconcile the checking and investment accounts circumvented the reconciliation process in the accounting system. Further, the Authority has not established an effective process for oversight of reporting of financial activity and secondary review of financial statements.

Effect of Condition

Our audit identified financial statement errors, including misstatements and inaccurate presentation of financial statements and supplementary schedules. In addition, there is a risk that by not directly reconciling bank statement activity to the general ledger, errors could occur and go undetected. Our audit did not identify significant errors.

Recommendations

We recommend the Housing Authority continue to strengthen internal controls over the financial systems and preparation of the financial statements. These controls should include:

- Proper monitoring of financial transactions and bank statement activity to ensure financial errors are prevented or quickly detected. This includes properly reconciling the general ledger to the bank accounts, evaluating and limiting employee access to accounting systems based on job responsibilities, and considering requiring dual authorizations.
- Adequate oversight and secondary review of financial statement preparation and reporting
- Providing staff with the training and information needed to effectively perform their duties. This includes training employees on how to conduct a meaningful review of financial information, such as journal entries, bank statements, and ACH payments.

Housing Authority's Response

Pierce County Housing Authority (PCHA) is committed to ensuring that all necessary controls are implemented to protect both PCHA's and the public's assets. PCHA has reviewed this report and agrees with all the recommendations presented by the State Auditor's Office.

Response to the State Auditor's recommendations:

Proper Monitoring and reconciliation of general ledger, employee access and job responsibilities

Job duties have been segregated, reconciliations are performed monthly by our consultant, and dual authorizations are in place

Adequate Oversight and secondary review

The new Executive Director with financial background is reviewing financial statement preparation and reporting before being presented to our newly formed Board Finance Committee on a monthly basis.

Staff Training

This is a long term process that has begun with in house training and soon to be extended to third party training from industry sources

PCHA recognizes its responsibility for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Auditor's Remarks

We appreciate the Housing Authority's commitment to resolving the issues identified above and emphasize the importance of establishing effective internal control over accounting and financial reporting. We will follow up on the status of this finding during our next audit.

Applicable Laws and Regulations

Budgeting, Accounting and Reporting System (BARS) manual, Internal Control section 3.1.3, states in part:

Purpose and Definition of Internal Controls

Internal control is defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in standards adopted by the American Institute of Certified Public Accountants and by the Federal Office of Management and Budget as follows:

Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body.

The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management. Since management and the governing body are assumed to work in harmony, both parties are collectively referred to as "management" throughout the rest of this section.

Controls over Financial Reporting

This objective refers to fair presentation of financial statements and required schedules in all material respects in accordance with the stated basis of accounting . . .

Preparation of the annual report – Controls should ensure that financial statements and required schedules are properly compiled and prepared from source accounting records. Controls should also ensure correct presentation of statements and schedules . . .

Controls over Financial Reporting

This objective refers to fair presentation of financial statements and required schedules in all material respects in accordance with the stated basis of accounting.

In meeting this objective, the government should have controls that accomplish the following key functions:

- Identification of financial events – Controls should ensure financial events and transactions are properly identified and recorded.
- Properly applying accounting standards – Controls should ensure correct criteria and methodology is applied when accounting for financial events. When the correct method of accounting for or reporting a transaction is unclear, the government should seek clarification by performing research, contracting for accounting assistance, or communicating with the State Auditor’s Office or standard setting bodies.
- Correctly accounting for all financial events – Controls should ensure that:
 - Only valid transactions are recorded and reported.
 - All transactions occurred during the period are recorded and reported.
 - Transactions are recorded and reported at properly valued and calculated amounts.
 - Recorded and reported transactions accurately reflect legal rights and obligations.

- Transactions are recorded and reported in the account and fund to which they apply.
- Preparation of the annual report – Controls should ensure that financial statements and required schedules are properly compiled and prepared from source accounting records. Controls should also ensure correct presentation of statements and schedules.

Controls and processes should generate adequate documentation to demonstrate achievement of objectives. This is not only important for audit, oversight and public records purposes, but also to enable effective monitoring of controls over financial reporting by management.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants *Codification of Statements on Auditing Standards*, section 265 – Communicating Internal Controls Related Matter Identified in Audit, paragraph 7, states:

For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

Material weakness. 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.

Significant deficiency. 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.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Pierce County Housing Authority January 1, 2019 through December 31, 2019

2019-002 The Housing Authority did not have adequate controls in place to ensure compliance with federal program requirements.

CFDA Number and Title:	14.871 Section 8 Housing Choice Vouchers
Federal Grantor Name:	Office of Public and Indian Housing, Department of Housing and Urban Development
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$2,053,360

Background

The Housing Choice Voucher Program (HCVP) provides rental assistance to help families with very low income afford decent, safe, and sanitary rental housing. The Department of Housing and Urban Development (HUD) enters into Annual Contributions Contracts (ACCs) with the Housing Authority, in which HUD provides funds to administer the program locally. During 2019, the Housing Authority spent \$27,734,996 under this program.

Federal regulations require recipients of federal awards to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Activities allowed / allowable costs

The Housing Authority receives administrative fees, which it can use only for the costs of operating the program as well as costs to assist families in special

situations. In 2019, the Housing Authority received \$2,053,360 in administrative fee revenue and spent all of these funds.

Operating transfers and administrative fees / rolling forward equity balance

The ACC establishes the amounts HUD will provide for housing assistance payments (HAP) and administrative fees. The ACC requires housing authorities to properly account for program activity. Proper accounting requires that account balances are properly maintained, records and accounting transactions support a proper roll-forward of equity, and errors are corrected as detected.

Housing quality standards — inspections

The Housing Authority must inspect housing units at least every two years to ensure the units meet federal Housing Quality Standards.

Description of Condition

Activities allowed / allowable costs

The Housing Authority has developed cost allocation plans in which a percentage of the Housing Authority's expenses, such as payroll and software expenses, is charged to the federal program for administration of the program. The Housing Authority did not have controls in place to verify that costs allocated through the cost allocation plan were for allowable operating costs of the program.

We consider this deficiency in internal controls to be a significant deficiency. This issue was reported as a finding in the prior audit as finding 2018-002.

Operating transfers and administrative fees / rolling forward equity balance

The Housing Authority did not have controls in place to account for program activity and track administrative fees. Current staff could not provide the tracking spreadsheet it said it used to monitor the accounting transactions and track the proper roll-forward of equity.

We consider this deficiency in internal controls to be a material weakness, which led to material noncompliance. This issue was reported as a finding in the prior audit as finding 2018-002.

Housing quality standards — inspections

The Housing Authority contracted with an external party to perform housing inspections. We found the Housing Authority did not have controls in place to monitor and ensure the external contractor performed inspections timely.

We consider this deficiency in internal controls to be a material weakness, which led to material noncompliance. This issue was not reported as a finding in the prior audit.

Cause of Condition

Activities allowed / allowable costs / operating transfers and administrative fees / rolling forward equity balance

Housing Authority staff and management relied on the former Finance Director to perform grant-related activities and comply with all program requirements without adequate oversight. When the former Finance Director was fired from her position, remaining Housing Authority staff lacked adequate training and experience administering the program and could not provide documents to demonstrate compliance with program requirements.

Housing quality standards — inspections

The Housing Authority experienced turnover in key staff and had no inspector from November 2018 to January 2019. As a result, inspections were not completed in a timely manner, as required. The Housing Authority had also recently contracted with an out-of-state contractor to perform inspections. Although, the contractor scheduled inspections two days a week, the Housing Authority relied on the external contractor and did not have an adequate monitoring control to ensure inspections were performed in a timely manner.

Effect of Condition and Questioned Costs

Activities allowed / allowable costs

Without support for the administrative fee expenses, the Housing Authority cannot verify the fees were used for allowable purposes. As a result, we are questioning \$2,053,360 of costs.

We question costs when we find an entity has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

Operating transfers and administrative fees / rolling forward equity balance

Without support for the operating transfers and administrative fees and rolling forward equity balance, the Housing Authority cannot support whether these program costs were allowable and that funds were rolled over properly. Therefore, we are questioning all administrative fees received as noted above.

Housing quality standards — inspections

Because the Housing Authority did not perform timely inspections, it cannot demonstrate that the housing units met housing quality standards, as required, for 15 of the 29 tenant files reviewed. All inspections were completed within 90 days after the required due date.

Recommendations

Activities allowed / allowable costs

We recommend the Housing Authority ensure only valid and allowable costs are charged to the program. Further, we recommend the Housing Authority develop and follow internal controls to properly track and maintain adequate support for reported administrative fee funding activity.

Operating transfers and administrative fees / rolling forward equity balance

We recommend the Housing Authority develop and follow internal controls and ensure account balances are properly maintained, records and accounting transactions support a proper roll-forward of equity, and that errors are corrected when detected.

Housing quality standards — inspections

We recommend the Housing Authority strengthen internal controls to monitor external contractors and ensure they perform housing unit inspections at least every two years to comply with program requirements.

Housing Authority's Response

We appreciate the Auditor's comments and respond to the following three areas noted:

Activities allowed /allowable costs

The Authority has put in place Cost Allocation Plan for the fiscal years 2020 and 2021 developed and approved by a CPA firm familiar with Public Housing Authority structures, rules and finance. Monthly allocation of expenses will be prepared by our consulting firm initially but subsequently assumed by trained PCHA staff. All documentation will be provided and maintained substantiating the allocation.

Operating transfers and administrative fees/ rolling forward equity balance

We have put in place with the assistance of our consultant controls tracking and documenting transactions and proper roll-forward equity.

Housing quality standards –inspections

The inspection function has been brought in-house and plans are to hire a full-time professional to be our inspector. The new, soon to be installed, integrated software package includes automation of the documentation of the function.

Auditor’s Remarks

We appreciate the Housing Authority’s commitment to resolving the issues identified above and emphasize the importance of establishing effective internal controls over compliance with federal program requirements. We will follow up on the status of this finding during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303 Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 CFR Part 200, Uniform Guidance, Section 53, Improper Payments, defines what improper payment means and what it includes.

Title 2 CFR Part 200, Uniform Guidance, Section 403, Factors affecting Allowability of costs, provides for the general criteria in order for a cost to be charged to a federal award.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 24 CFR Part 982, *Section 8 Tenant-Based Assistance: Housing Choice Voucher Program*, Section 152, Administrative fee, outlines the purpose and use of administrative fees.

Title 24 CFR Part 982, *Section 8 Tenant-Based Assistance: Housing Choice Voucher Program*, Section 158, Program accounts and records, establishes requirements over program accounts and records.

Title 24 CFR Part 982, *Section 8 Tenant-based assistance: Housing Choice Voucher Program*, Section 405, Subpart I establishes housing quality standards subsidy standards inspection and maintenance.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Pierce County Housing Authority January 1, 2019 through December 31, 2019

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2018 – December 31, 2018	Report Ref. No.: 1025404	Finding Ref. No.: 2018-001
Finding Caption: The Housing Authority’s internal controls over accounting and financial reporting were inadequate to ensure accurate and timely reporting and the prevention and detection of fraud.		
Background: The Housing Authority relied on the former Finance Director for proper recording of all financial activities, including bank account activity, financial statement preparation and reporting, without adequate oversight and review. In addition, the Housing Authority’s use of off-the-shelf software to reconcile the checking and investment accounts circumvented the reconciliation process in the accounting system, which helped the former Finance Director to perpetrate and conceal her misappropriation. Finally, the finance staff lacked adequate training and information needed to effectively perform their duties. All questions went back to the former Finance Director for resolution.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>PCHA has contracted with a nationally recognized firm with deep knowledge and understanding of public housing authorities to conduct a complete assessment of current financial processes and procedures and to implement strong internal control systems in the agency’s financial systems, including:</i> <ul style="list-style-type: none"> • <i>System of review for all financial transactions pre and post processing by both finance and executive staff – The consultant continues to function as our Controller reviewing all general ledger entries and reconciling monthly cash balances. Executive Director hired in 2021, approves all payment of invoices after preparation by accounting then it is reviewed again lead accounting clerk.</i> 		

- *Dual review of bank statements by executive staff – **Completed. Monthly reconciliation is reviewed by our outside consultant.***
- *Restriction of wire transfer capabilities and limits on amounts allowed in a single transfer – **Completed. Wire transfers have been eliminated.***
- *Implementation of dual approval procedures for all wire transfers - **Completed. Wire transfers have been eliminated.***
- *Ongoing training for finance staff, executive staff and board members on review of journal entries, bank statements, and ACH payments - **Completed training provided by contractor and we are scheduling third party industry training for our Finance Group.***
- *Collaboration with software provider to expand the current system's capabilities or transition to more appropriate financial software. - **PCHA is transitioning to a new software system, implementation has begun with a completion date set for September 2021.***
- *Identification of bank accounts needed to avoid co-mingling restricted funds and eliminating all unnecessary accounts. – **Completed, the sweeps have been removed, restricted funds are isolated and all bank activity is reviewed by third party consultant.***

In addition, PCHA hired a finance director who was working collaboratively with contracted finance professionals to continue review and modification of processes and procedures, however the Authority separated from this individual in November 2020. PCHA has hired a new Executive Director with finance experience and recruiting has begun for an experienced Controller.

Audit Period: January 1, 2018 – December 31, 2018	Report Ref. No.: 1025922	Finding Ref. No.: 2018-002	CFDA Number(s): 14.871
Federal Program Name and Granting Agency: Housing Choice Voucher Cluster – Office of Public and Indian Housing, Department of Housing and Urban Development		Pass-Through Agency Name: N/A	
Finding Caption: The Housing Authority did not have adequate controls in place to ensure compliance with federal program requirements.			
Background: <i>Activities allowed / allowable costs</i> The Housing Authority has developed cost allocation plans in which a percentage of the Housing Authority’s expenses, such as payroll and software expenses, is charged to the federal program. The Housing Authority did not have controls in place to verify that costs allocated through the cost allocation plan were for legitimate Housing Authority expenses. <i>Operating transfers and administrative fees / rolling forward equity balance</i> The Housing Authority did not have controls in place to account for program activity and track administrative fees. Current staff could not find the tracking spreadsheet that was said to be used to monitor the accounting transactions and track the proper roll-forward of equity. <i>Depository agreement</i> The Housing Authority did not have controls in place to ensure accurate completion of the GDA. The GDA on file was not fully executed (signed by HUD) and did not include all of the Housing Authority’s account numbers, as required. Further, the GDA form expired October 31, 2017, and the Housing Authority failed to enter into a new agreement. <i>Reporting</i> The Housing Authority did not have a process in place to verify that the FDS was accurately prepared and submitted timely to the grantor.			
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>As described above, PCHA has contracted with a nationally recognized firm with deep knowledge and understanding of public housing authorities to conduct a complete assessment of current financial processes and procedures and to implement strong internal control systems in the agency’s financial systems that includes compliance with federal program requirements, including:</i>			

- *System of review for all financial transactions pre and post processing by both finance and executive staff – **The consultant continues to function as our Controller reviewing all general ledger entries and reconciling monthly cash balances. Executive Director hired in 2021, approves all payment of invoices after preparation by accounting then it is reviewed again lead accounting clerk.***
- *Dual review of bank statements by executive staff – **Completed. Monthly reconciliation is reviewed by our outside consultant.***
- *Restriction of wire transfer capabilities and limits on amounts allowed in a single transfer – **Completed. Wire transfers have been eliminated.***
- *Implementation of dual approval procedures for all wire transfers – **Completed. Wire transfers have been eliminated.***
- *Ongoing training for finance staff, executive staff and board members on review of journal entries, bank statements, and ACH payments - **Completed training provided by contractor and we are scheduling third party industry training for our Finance Group.***
- *Collaboration with software provider to expand the current system’s capabilities or transition to more appropriate financial software. - **PCHA is transitioning to a new software system, implementation has begun with a completion date set for September 2021.***
- *Separation of bank accounts housing federal funds and removal of the ‘sweep’ function. – **Completed, the sweeps have been removed, restricted funds are isolated and all bank activity is reviewed by third party consultant.***
- *System of review for HCV-related funds that includes collaboration between finance and HCV management staff. - **Allocation Plan prepared by outside CPA firm for 2020 and 2021.***

INDEPENDENT AUDITOR'S REPORT

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*

Pierce County Housing Authority January 1, 2019 through December 31, 2019

Board of Commissioners
Pierce County Housing Authority
Tacoma, Washington

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 Pierce County Housing Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated March 31, 2021.

As discussed in Note 12 to the financial statements, a management official misappropriated funds from the Housing Authority from 2016 to 2019. The 2019 loss amount is reported as a special item on the financial statements.

As discussed in Note 16 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Housing Authority is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Housing 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing 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 Housing Authority'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001, that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free from material misstatement, we performed tests of the Housing Authority's 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001. The matters are further described in our report on the Housing Authority's 2018 financial statements dated December 13, 2019 and in our fraud investigation report for the Housing Authority dated December 16, 2019.

HOUSING AUTHORITY'S RESPONSE TO FINDINGS

The Housing Authority's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Housing Authority'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 Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy
State Auditor
Olympia, WA

March 31, 2021, except for our report on the Schedule of Expenditures of Federal Awards and the Financial Data Schedule, for which the date is June 22, 2021.

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Pierce County Housing Authority January 1, 2019 through December 31, 2019

Board of Commissioners
Pierce County Housing Authority
Tacoma, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Pierce County Housing Authority, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended December 31, 2019. The Housing Authority's major federal programs are identified in 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 compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing 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 each major federal program. Our audit does not provide a legal determination on the Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

This report, which replaces a previously issued report, has been reissued to reflect a change in Schedule of Expenditures of Federal Awards. No additional programs were audited as a result of the change.

Housing Authority's Response to Findings

The Housing Authority's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect

on each major federal program in order 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 Housing Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2019-002 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2019-002 to be a significant deficiency.

Housing Authority's Response to Findings

The Housing Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy
State Auditor
Olympia, WA

June 22, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Pierce County Housing Authority January 1, 2019 through December 31, 2019

Board of Commissioners
Pierce County Housing Authority
Tacoma, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Pierce County Housing Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 34.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority'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 Housing Authority'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pierce County Housing Authority, as of December 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 12 to the financial statements, a management official misappropriated funds from the Housing Authority from 2016 to 2019. The 2019 loss amount is reported as a special item on the financial statements. Our opinion is not modified with respect to this matter.

As discussed in Note 16 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Housing Authority is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial

statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards 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* (Uniform Guidance). The accompanying Financial Data Schedule and HUD forms are supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021 on our consideration of the Housing 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy

State Auditor

Olympia, WA

March 31, 2021, except for our report on the Schedule of Expenditures of Federal Awards and the Financial Data Schedule, for which the date is June 22, 2021.

**Pierce County Housing Authority
January 1, 2019 through December 31, 2019**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019

Statement of Revenues, Expenses and Changes in Net Position – 2019

Statement of Cash Flows – 2019

Notes to Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1 & PERS 2/3 – 2019

Schedule of Employer Contributions – PERS 1 & PERS 2/3 – 2019

Schedule of Changes in Total OPEB Liability and Related Ratios - 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2019

Notes to the Schedule of Expenditures of Federal Awards – 2019

Financial Data Schedule – 2019

Actual Modernization Cost Certificate, form HUD-53001 – 2017 and 2018

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Introduction

This Management's Discussion and Analysis (MD&A) of the Pierce County Housing Authority (Authority) provides an introduction and overview to the financial statements of the Pierce County Housing Authority for the year ended December 31, 2019. The Pierce County Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2019, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs and blended component units administered by the Pierce County Housing Authority. The information contained herein this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

Overview of the Financial Statements

This overview of the financial statement is intended to inform and introduce the reader to the Authority's financial statements. The financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expense, and Changes in Net Position
- The Statement of Cash Flows

The Statement of Net Position presents information on the assets, deferred outflows or resources, liabilities, and deferred inflows of resources with the differences between them being reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net Position is comprised of three individual components:

- Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets.
- Restricted component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through enabling legislation.
- Unrestricted component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of Net Position is basically the amount of resources available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the year ended December 31, 2019, to determine the net change in net position for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended December 31, 2019.

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Program Information

Assisted Housing Programs

Low Income Public Housing: The Authority owns 125 units in Pierce County, Washington. Under the low income public housing program, the Authority rents units that it owns to low-income households. The program is operated under an annual contributions contract with HUD, and HUD provides operating subsidy and capital funding to enable the Authority to provide housing at a rent that is based on a percentage of household income. The conventional public housing program includes the capital fund program, which is the primary funding source for physical improvements to the Authority's properties.

Section 8 Housing Choice Vouchers: The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family. The objective of the program is to assist in making tenant-based rental assistance more successful by helping increase housing choices for low-income families and assisting them in obtaining affordable housing. The Authority currently administers approximately 2,670 vouchers among the various Section 8 Programs include Housing Choice Voucher, Homeownership, Non Elderly Disabled (NED), Tenant Protection and Veterans Affairs Supportive Housing (VASH) programs.

Capital Funds Grants: The Authority receives additional funding from HUD for physical and management improvements to its units within the Low Income Public Housing Program, under the same Annual Contributions Contract. This program provides funding for large-scale improvements or unplanned emergencies that are not covered by the operating subsidy amount previously mentioned.

Rural Development Program: The Rural Development Housing Program is a 20 unit program constructed from loans provided by the Department of Agriculture benefiting rural residents classified as elderly or disabled. The apartment complex is subsidized by the Department of Agriculture through Rural Rental Assistance payments provided. Tenants typically pay rent, which is 30 percent of their adjusted gross income. The remaining portion of rent is provided by Rural Development in the form of rental assistance.

Non-HUD/Business Activities Programs: The Authority owns and manages several additional apartment projects throughout the County of Pierce. Some of these projects are owned by the following blended component units:

- Chateau Rainier Apartments LLC;
- DeMark Apartments LLC; and
- Lakewood Village Apartments, LLC

These 656 units provide additional types of affordable housing in the County of Pierce.

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Financial Highlights

- The Pierce County Housing Authority's net position decreased from \$8,930,917 to \$5,504,855, a decrease of \$3,426,062 or 38%. Total assets also decreased by \$3,689,524 or 12%.
- Total program revenue increased from \$32,471,295 to \$35,903,490, an increase of \$3,432,195 or 11%.
- Total expenses increased by \$917,398 or 3%, from \$34,895,297 to \$35,812,695 for the current year.
- The Authority recognized a Special Item in the amount of \$3,310,760 that represents fraud on behalf of a management staff person.

Housing Authority Activities & Highlights

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the summary of net position for the year ended December 31, 2019, and December 31, 2018.

*Summary Statement of Net Position
As of December 31, 2019 and 2018*

Category	12/31/2019	12/31/2018	Change \$	Change %
Current Assets	\$ 3,570,858	\$ 6,558,404	\$ (2,987,546)	-46%
Noncurrent Assets	\$ 23,472,320	\$ 24,174,298	\$ (701,978)	-3%
Total Assets	\$ 27,043,178	\$ 30,732,702	\$ (3,689,524)	-12%
Deferred Outflow of Resources	\$ 195,513	\$ 224,490	\$ (28,977)	-13%
Current Liabilities	\$ 1,938,095	\$ 1,264,036	\$ 674,059	53%
Noncurrent Liabilities	\$ 19,292,792	\$ 20,301,745	\$ (1,008,953)	-5%
Total Liabilities	\$ 21,230,887	\$ 21,565,781	\$ (334,894)	-2%
Deferred Inflow of Resources	\$ 502,949	\$ 460,494	\$ 42,455	9%
Unrestricted	\$ 440,588	\$ 2,777,457	\$ (2,336,869)	-84%
Restricted	\$ 175,120	\$ 727,552	\$ (552,432)	-76%
Net Investment in Capital Assets	\$ 4,889,147	\$ 5,425,908	\$ (536,761)	-10%
Total Net Position	\$ 5,504,855	\$ 8,930,917	\$ (3,426,062)	-38%

Current Assets

Current assets decreased by \$2,987,546 during the current year. The majority of the change was attributed to a decrease in unrestricted cash and investment balances in the amount of \$2,298,098.

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Noncurrent Assets

Noncurrent assets decreased from \$24,174,298 to \$23,472,320 during the current year. The majority of the decrease represents the charging of depreciation expense in the current year. This will be discussed in more detail in further sections.

Current Liabilities

Current liabilities increased by \$674,059 from the previous year. This is primarily due to an increase in other accrued liabilities in the amount of \$300,894. Other increases include other current liabilities of \$167,308 and tenant security deposits of \$60,742.

Noncurrent Liabilities

Noncurrent liabilities decreased from a 2018 balance of \$20,301,745 to a 2019 balance of \$19,292,792, a net decrease of \$1,008,953. Notable variances from the previous year included the following items;

- The noncurrent portion of the capital debt decreased by \$110,764.
- The pension liability decreased from a 2018 balance of \$2,576,817 to a 2019 balance of \$2,000,670.

Net Position

The net position of the Authority decreased by \$3,426,062, or 38%, from the previous fiscal year. This was primarily related to the special item charge in the amount of \$3,310,760 related to fraud. Of the total net position, unrestricted net position decreased by \$2,336,869 and restricted net position decreased by \$552,432.

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended December 31, 2019 and 2018**

Category	12/31/2019	12/31/2018	Change \$	Change %
Program Revenues:				
Tenant Revenue	\$ 6,992,099	\$ 6,447,271	\$ 544,828	8%
Government Operating Grants	\$ 28,327,531	\$ 25,334,352	\$ 2,993,179	12%
Other Revenue	\$ 578,608	\$ 636,353	\$ (57,745)	-9%
Interest Income	\$ 5,252	\$ 53,319	\$ (48,067)	-90%
Total Program Revenue	\$ 35,903,490	\$ 32,471,295	\$ 3,432,195	11%
Expenses:				
Administration	\$ 2,930,954	\$ 2,989,557	\$ (58,603)	-2%
Tenant Services	\$ 141,947	\$ 14,491	\$ 127,456	880%
Utilities	\$ 845,835	\$ 811,641	\$ 34,194	4%
Ordinary Maintenance	\$ 2,351,350	\$ 3,779,743	\$ (1,428,393)	-38%
General/Insurance Expense	\$ 892,273	\$ 1,329,861	\$ (437,588)	-33%
Nonroutine Maintenance	\$ 97,271	\$ 240,284	\$ (143,013)	-60%
Depreciation	\$ 1,562,450	\$ 1,547,947	\$ 14,503	1%
Housing Assistance Payments	\$ 25,992,155	\$ 23,165,926	\$ 2,826,229	12%
Interest Expense	\$ 998,460	\$ 1,015,847	\$ (17,387)	-2%
Total Expenses	\$ 35,812,695	\$ 34,895,297	\$ 917,398	3%
Excess (Deficiency) Before Contributions and Special Items	\$ 90,795	\$ (2,424,002)	\$ (443,816)	-104%
Capital Grants	\$ 69,937	\$ 88,000	\$ (18,063)	-21%
Special Item/Casualty Losses	\$ (3,310,760)	\$ -	\$ (3,310,760)	N/A
Change in Net Position	\$ (3,150,028)	\$ (2,336,002)	\$ (814,026)	35%
Net Position, Beginning of Year	\$ 8,930,917	\$ 12,171,838	\$ (3,240,921)	-27%
Pror Period Adjustment	\$ (276,034)	\$ (904,919)	\$ 628,885	-69%
Net Position, End of Year	\$ 5,504,855	\$ 8,930,917	\$ (3,426,062)	-38%

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Results of Operations

Program revenues of the Authority are generated principally from dwelling rents and HUD grants. The Authority's revenue increased by \$3,432,195 or 11% compared to the previous fiscal year. Significant changes in revenue accounts consist of the following items:

- Tenant revenue increased by \$544,828 from the previous year.
- Government operating grants increased by \$2,993,179 due in part to the increased funding received in the HCV program compared to the previous fiscal year.

Total expenses increased by \$917,398. Significant variances between the years include the following:

- Maintenance costs decreased by \$1,428,393 or 38% from the prior year. The following provided below gives an analysis of cost categories associated with the decrease:
 - Labor decreased by \$307,360;
 - Materials decreased by \$481,416; and
 - Maintenance contracts decreased by \$591,417.
- Housing assistance payments increased by \$2,826,229, or 12%. This was due to an effort to lease additional units within the HCV Program. Unit months leased increased by 1,912 from the previous year.

Capital Assets

As of December 31, 2019, the Authority's net investment in capital assets was \$4,889,147. This investment includes land, building improvements, equipment, and construction in progress, net of accumulated depreciation and related debt.

<u>Category</u>	12/31/2019	12/31/2018	Change \$	Change %
Land	\$ 5,270,117	\$ 5,295,117	\$ (25,000)	0%
Buildings	\$ 36,062,788	\$ 36,752,334	\$ (689,546)	-2%
Equipment	\$ 3,836,714	\$ 2,873,795	\$ 962,919	34%
Accumulated Depreciation	\$ (22,803,061)	\$ (21,711,871)	\$ (1,091,190)	5%
Total Net Fixed Assets	\$ 22,366,558	\$ 23,209,375	\$ (842,817)	-4%

The increase in buildings is due to improvements made to various projects throughout the agency. The decrease in land along with part of the buildings is due to the sale of a home under the Homeownership Program. The Authority also purchased a vehicle.

Long-Term Debt Activity

There are various debt requirements related to projects and programs of the agency. Debt was reduced by \$306,056. There was no additional debt incurred during the year.

Prior Period Adjustment

A prior period adjustment was recorded in the amount of \$276,034. This was due to the reclassification of prepaid expenses that were erroneously reported in the prior fiscal year.

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Subsequent Event

HUD has estimated the funding levels for the 2020 calendar year. The operating subsidy for the Low Rent Housing Program is estimated to be funded at 96.54%.

The estimated amount of funding for the 2020 calendar year for the Housing Choice Voucher Program will include the proration of administrative fees at 80% and HAP funding at 99%.

Additional funding from the Cares Act legislation has been provided to the Low Rent Housing Program to aid in the preventing, preparing and responding to the COVID-19 virus. This funding, totaling \$38,380, has been obligated to the Authority. The supplemental funding must be spent by December 31, 2020.

CARES Act funding for the Housing Choice Voucher program was disbursed in the amount of \$410,560.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Pierce County Housing Authority
Attn: Charlie Gray, Executive Director
Tacoma, Washington

**PIERCE COUNTY HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

ASSETS

Current Assets:

Cash and Cash Equivalents:	
Unrestricted	\$ 1,912,015
Restricted	1,294,754
Investments - Unrestricted	105,565
Accounts Receivable (Net of Allowance)	205,408
Notes Receivable (Current Portion)	-
Prepaid Items	41,721
Inventory (Net of Allowance)	11,395
Total Current Assets	<u>3,570,858</u>

Noncurrent Assets:

Capital Assets	
Land & Construction in Progress	5,270,117
Other Capital Assets, Net of Depreciation	17,096,441
Total Capital Assets	<u>22,366,558</u>
Other Non-Current Assets	
Notes, Loans, and Mortgages Receivable	1,105,762
Total Other Non-Current Assets	<u>1,105,762</u>
Total Noncurrent Assets	<u>23,472,320</u>

Total Assets	<u>27,043,178</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	195,513
Total Deferred Outflows of Resources	<u>195,513</u>

See accompanying notes to the financial statements.

**PIERCE COUNTY HOUSING AUTHORITY
STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2019**

LIABILITIES

Current Liabilities:

Accounts Payable	802,026
Wages/Payroll Payable	45,280
Unearned Revenue	107,913
Accrued Employee Leave (current)	117,582
Interest Payable	80,135
Tenant Security Deposits	245,857
Bonds and Notes Payable (current)	322,043
Other	217,259
Total Current Liabilities	<u>1,938,095</u>

Noncurrent Liabilities:

Accrued Employee Leave (net of current)	26,464
Bonds and Notes Payable (net of current)	17,155,368
Pension Liabilities	847,694
Other Post Employment Benefits Liabilities	1,152,976
Other	110,290
Total Noncurrent Liabilities	<u>19,292,792</u>

Total Liabilities

21,230,887

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	502,949
Total Deferred Inflows of Resources	<u>502,949</u>

NET POSITION

Net Investment in Capital Assets	4,889,147
Restricted	175,120
Unrestricted	440,588
Total Net Position	<u>\$ 5,504,855</u>

See accompanying notes to the financial statements.

**PIERCE COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019**

OPERATING REVENUES

Tenant Revenue	\$ 6,992,099
Operating Grants	28,327,531
Other Revenue	452,722
Total Operating Revenues	<u>35,772,352</u>

OPERATING EXPENSES

Administrative	2,930,954
Tenant Services	141,947
Utilities	845,835
Maintenance	2,351,350
Insurance/General	892,273
Non-Routine Maintenance	97,271
Housing Assistance Payments	25,992,155
Depreciation	1,562,450
Total Operating Expenses	<u>34,814,235</u>

<i>NET OPERATING INCOME (LOSS)</i>	<u>958,117</u>
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NONOPERATING REVENUES (EXPENSES)

Interest Income	5,252
Interest Expense	(998,460)
Gain or Loss on Disposition of Capital Assets	125,886
Net Nonoperating Revenues (Expenses)	<u>(867,322)</u>

NET INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>90,795</u>
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Capital Contributions	69,937
Special Item	<u>(3,310,760)</u>

CHANGE IN NET POSITION	(3,150,028)
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NET POSITION-BEGINNING OF YEAR	8,930,917
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Prior Period Adjustment	(276,034)
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NET POSITION-END OF YEAR	<u><u>\$ 5,504,855</u></u>
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See accompanying notes to the financial statements.

**PIERCE COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Grantor	\$ 28,224,296
Cash Received from Tenants	7,137,587
Cash Received from Misc. Sources	103,311
Cash Payments to Employees	(1,527,321)
Cash Payments to Vendors	(5,565,268)
Cash Payments for Rental Assistance	(25,992,155)
Net Cash Provided in Operating Activities	<u>2,380,450</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	5,252
Net Cash Received on Mortgages Receivable	9,579
Redemption/(Purchase) of Investments	2,000,088
Net Cash Provided by Investing Activities	<u>2,014,919</u>

***CASH FLOW FROM CAPITAL AND RELATED
FINANCING ACTIVITIES***

Capital Grant Funding	69,937
Special Item	(3,310,760)
Interest Paid on Long Term Debt	(1,004,917)
Principal Reduction on Long Term Debt	(306,056)
Sale of Capital Assets	131,879
Property and Equipment Purchased	(866,462)
Net Cash Used in Financing Activities	<u>(5,286,379)</u>

Net Increase in Cash	(891,010)
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Cash and Cash Equivalents-Beginning of Year	4,097,779
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Cash and Cash Equivalents-End of Year	<u>3,206,769</u>
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Reconciliation to Cash Accounts:

Cash Equivalents-Unrestricted	1,912,015
Cash Equivalents-Restricted	1,294,754

Total Cash Equivalents	<u>\$ 3,206,769</u>
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See accompanying notes to the financial statements.

**PIERCE COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019**

***RECONCILIATION OF NET OPERATING INCOME TO CASH
PROVIDED IN OPERATING ACTIVITIES:***

Net Operating Income	\$	958,117
Adjustments to Reconcile Net Income to Net Cash Provided in Operating Activities:		
Depreciation		1,562,450
Decrease in Accounts Receivable (Operations)		159,382
Increase in Prepaid Expenses		(593,788)
Increase in Accounts Payable		832,620
Decrease in Wages/Compensated Absences		(251,294)
Increase in Tenant Security Deposits/Prepaid Rents		107,388
Decrease in Other Noncurrent Liabilities		110,288
Decrease in Deferred Inflows		42,456
Decrease in Pension Liability		(257,995)
Increase in OPEB Liability		(318,151)
Decrease in Deferred Outflows		28,977
Net Cash Provided in Operating Activities	\$	<u>2,380,450</u>

See accompanying notes to the financial statements.

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pierce County Housing Authority (the Authority) was organized pursuant to the laws of the State of Washington. These financial statements have been prepared in conformity with generally accepted accounting principles as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Housing Authority's significant accounting policies are described in the following notes.

A. Reporting Entity

The purpose of the Authority is to provide safe, decent, sanitary and affordable housing to low income families in Pierce County, Washington, and to operate the housing programs in accordance with federal legislation administered through the U.S. Department of Housing and Urban Development (HUD) under provisions of the National Housing Act of 1937. The Authority was created in 1978 by an act of Pierce County, Washington.

The governing body of the Authority is its Board of Commissioners, which is comprised of six members, five of whom are appointed by the Pierce County Executive and ratified by the County Council and one, which is appointed by the Authority Board of Commissioners. The Board appoints an Executive Director to administer the affairs of the Authority. The Authority is not considered a component unit of Pierce County, as the Board of Commissioners independently oversees the Authority's operations and Pierce County is not financially accountable for the Authority. Financial accountability is defined as appointment of a majority of the entities board and either (a) the ability to impose the primary government's will, or (b) the Authority will provide a financial benefit to, or impose a financial burden on, the primary government.

On January 26, 2012, the Authority's Board of Commissioners adopted a resolution relating to the organization of a nonprofit corporation, Housing Successes, to support the Authority in its goals. On July 10, 2014, the IRS provided a final determination of the tax-exempt status of Housing Successes. While considered a component unit of the Authority, there was no fiscal activity during the year.

During 2014, the Authority established three separate Limited Liability Companies: Chateau Rainier Apartments LLC, DeMark Apartments LLC and Lakewood Village Apartments LLC, for the purpose of debt refunding. The refunding occurred in 2015 and the Authority transferred all assets and liabilities to these three separate legal entities. The Authority implemented the provisions of GASB Statement No. 80 Blending Requirements for Certain Component units, an amendment of GASB Statement No. 14. This statement requires that "A component unit should be included in the reporting entity financial statements using the blended method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member.". These three legally separate entities are considered blended component units. Disclosure of these component units are provided in these notes to financial statements.

The accompanying financial statements include all programs, and organizations for which the Board of Commissioners is financially accountable.

B. Program Accounting

The accounts of the Authority are organized on the basis of programs, each of which is considered a separate accounting entity. The operations of each entity are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses as appropriate. Resources are allocated to and accounted for in individual programs based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The operations of the

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Authority combine the two following major programs that account for separate business-type activities. The Authority uses sub-accounts within these major programs to account for certain funding streams that require separate accounting by State law, HUD regulations or by loan agreements. The two major programs described below are combined into a single enterprise fund for reporting purposes.

Assisted Housing Programs

This major program is used to account for the various HUD and other housing assistance programs administered by the Authority such as Section 8, Low-Income Public Housing (LIPH) and Rural Development (RD) programs.

Programs Administered for Assisted Housing

Public Housing: This program accounts for low-rent public housing projects developed and operated by the Authority. HUD provided development grants to allow the Authority to purchase real estate for use in the program and provides operating subsidies and capital improvement grants for ongoing management of the projects. There are 125 single family homes being operated in this program.

Section 8 Housing Choice Voucher Programs: The Section 8 programs provide housing assistance payments for up to approximately 2,670 households who live in private and Authority owned housing. These programs were authorized by Section 8 of the National Housing Act and provide housing assistance payments to landlords and lenders to subsidize rental and mortgage payments for low-income persons.

Rural Development: This program provides for special needs populations in rural areas. Rural Development provides both rent subsidies and interest rate subsidies for this specific project which serves 20 elderly or disabled low income households.

While dwelling rent is recognized as operating revenues, the major portion of operating revenues in the Assisted Housing Programs is the HUD Annual Contributions. These operating grants are reported as operating revenue in the statement of revenues, expenses and changes in net position. Revenues and expenses related to financing or investing activities are treated as non- operating revenues and expenses in the statement of revenues, expenses and changes in net position. Capital contributions are treated as non-operating revenue.

Affordable Housing Program

This major program is used to account for various business type activity programs administered by the Authority that do not have on-going federal subsidies to fund operations.

Programs Administered for Affordable Housing

Apartments: The operation of 8 multi-family housing projects, consisting of 670 units that are financed and operated in a manner similar to private business enterprises are included in this group. Costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, are recovered primarily through rental revenues. Revenues and expenses related to financing or investing activities are treated as non-operating revenues and expenses in the statement of revenues, expenses and changes in net position.

5H Homeownership: This program accounts for the sale of public housing program homes to current residents. Homes sold under this program are transferred from the Assisted Housing Program to the Homeownership program sub-account within the Affordable Housing program at its net book value. The proceeds of the sales are a combination of cash, for privately financed first mortgages, and second mortgage notes receivable. The

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Authority holds a "silent second" mortgage that bears no interest. These mortgages are due upon sale of the property or at such time as the family can afford to pay at least \$50 per month in debt service as determined under program guidelines. Since the timing of repayment of these notes is uncertain, the investment in the related notes receivable have not been discounted. As such, these notes are stated at their face value in the accompanying statement of net position.

Measurement Focus and Basis of Accounting

Basis of Accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. All of the Authority's programs are considered business-type activities, which use the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues are recognized when they are earned and expenses recognized when incurred. Substantially all transactions in the Affordable Housing Program are considered to be exchange type transactions. Annual HUD Contributions reflected in the Assisted Housing Program are considered to be voluntary non-exchange transactions. Revenues for such transactions are recorded when eligible payments have been earned.

The Authority presents a classified statement of net position, which distinguishes between short- term and long-term assets and liabilities. The criterion used to determine whether an asset or liability is long or short-term is one year. This means that assets that are expected to convert to cash or will benefit the ensuing year's operations are treated as current assets. Likewise, liabilities that will likely be settled within the ensuing year are treated as current liabilities. Certain liabilities, such as Unclaimed Property and Compensated Absences, are classified into current and long- term portions based upon estimates of the amounts that will be settled during the ensuing year.

C. Specific Assets, Liabilities and Revenue Recognition Policies

1. Cash, Cash Equivalents and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, balances held by the servicer of the notes and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

The Housing Authority is authorized to invest in financial instruments that have been HUD approved. Generally, these financial instruments consist of direct obligations of the Federal Government, obligations of Federal Government agencies, demand and savings accounts, and Certificates of Deposits. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

2. Restricted Assets

Restricted cash and investments include assets to be used for tenant security deposits, excess HAP funding, and Family Self Sufficiency ("FSS") funds held in escrow for families who successfully fulfill the program requirements.

3. Budget

The Authority is not required to follow the budgetary requirements of the Ohio Revised Code. However, the Authority does maintain a budget for management purposes. Budgetary data is not required for financial statement presentation.

4. Investments

Investments are reported at fair value which is based on quoted market prices. For investments in open-end money market mutual funds, fair value is determined by the fund's current share price. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends are included in the statement of revenues, expenses, and changes in net position.

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

5. Tenant Receivables and Recognition of Bad Debts

Tenant receivables are stated at net rent amounts. Tenant accounts are generally collectible for 60 days. For account balances in excess of 60 days, the balances are considered to be uncollectable. These amounts are charged off as a bad debt (operating cost).

6. Maintenance Inventory

The Housing Authority's inventory balances consist of expendable supplies held for consumption. The inventory is valued at cost. The Housing Authority uses the first-in, first-out basis in determination of cost.

7. Capital Assets

Capital assets are recorded at cost. Costs in excess of \$200 that materially add to the productive capacity and extend the life of an asset longer than one year are capitalized, while maintenance and repair costs are expensed as incurred. Donated capital assets are valued at acquisition cost. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	15 – 40 years
Equipment	5 years

8. Capitalization of Interest

The Authority's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset.

9. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Vacation pay, which may be accumulated up to 120 hours annually, is payable to the employee based upon terms of the collective bargaining agreement or employment policy whichever is applicable. An employee may accrue up to a maximum of 480 hours of sick pay and is payable upon terms of the collective bargaining agreement or employment policy whichever is applicable. Vested and accumulated vacation and sick leave are reported as expenses and classified into current and long-term portions in the applicable program.

10. Deferred Inflow/Outflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows or resources are reported for pension related activities.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the statement of net position.

11. Net Position

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings that have been used for the acquisition, construction or improvement of those assets.

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

12. Operating Revenues and Expenses

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

13. Capital Contributions

Capital contributions arise from the contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

14. Pensions/OPEB Liability

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to them, and the associated expenses, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the State's pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The State's pension systems report investments at fair value.

15. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America 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.

16. Inter-Program Receivables and Payables

During the normal course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "inter-program due from" or "inter-program due to" have been eliminated in the preparation of the basic financial statements. In addition, offsetting inter-program operating transfers between individual programs have also been eliminated in the preparation of the financial statements.

NOTE 2: OPERATING BUDGETS

The Authority is not required to prepare an agency-wide budget. Certain program regulations require a program budget be prepared. Budgetary data is not required for financial statement presentation.

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 3: CASH AND INVESTMENTS

The Housing Authority’s policies regarding cash and investment balances are discussed in Note 1.D. The composition of the Housing Authority’s cash, cash equivalents and investments on December 31, 2019, was as follows:

<i>Item</i>	<i>Balance</i>
Cash on hand, deposits in banks, savings deposits	\$3,206,769
Investments	105,565
Total	\$3,312,334

Custodial credit risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment. The Housing Authority’s bank balances in the amount of \$3,270,263 and certificate of deposit balances in the amount of \$105,565 were secured through federal depository insurance or collateralized securities at December 31, 2019. The Housing Authority had no custodial credit risk for its investments as of December 31, 2019.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority’s policy minimizes the risk by staggering the maturity dates of its investments as well as limiting the weighted average maturities to one year.

Credit risk

Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Investments are concentrated to one primary financial institution.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable balance consists of the following items as of December 31, 2019. All receivables are considered collectible.

<u>Accounts Receivable Item</u>	<u>Amount</u>
Tenants	\$ 22,509
HUD (Operating Grants)	208,095
Other	16,691
Allowance for Doubtful Accounts	(41,887)

NOTE 5: NOTES RECEIVABLE

Notes held by the Authority under its Homeownership and Low-Income Public Housing Programs are stated at the face value of unpaid second mortgages and unpaid rental account debt. Because the ultimate timing of receipt of these funds is uncertain, no discounting of amounts to reflect the time value of money is reflected in these financial statements. Mortgage and rental account payments that are due in 2020 are classified as current assets.

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is reported in the following table.

	Balance at 1/1/2019	Additions	Retirements		Balance at 12/31/2019
Capital assets not being depreciated					
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Land	5,295,117	-	25,000	-	5,270,117
Total capital assets not being depreciated	5,295,117	-	25,000	-	5,270,117
Capital assets being depreciated					
Buildings and Improvements	35,848,697	493,509	279,418	-	36,062,788
Intangible Assets	89,224	-	-	-	89,224
Furniture and Equipment	3,688,208	372,953	313,671	-	3,747,490
Total capital assets, being depreciated	\$ 39,626,129	\$ 866,462	\$ 593,089	\$ -	\$ 39,899,502
Less Accumulated depreciation for:					
Buildings and Improvements	\$ 18,678,027	\$ 1,274,988	\$ 205,949	\$ 3,319	\$ 19,750,385
Furniture and Equipment	3,033,843	287,463	268,630	-	3,052,676
Total Accumulated Depreciation	21,711,870	1,562,451	474,579	3,319	22,803,061
Total capital assets, being depreciated, net	\$ 17,914,259	\$ (695,989)	\$ 118,510	\$ (3,319)	\$ 17,096,441
Net Capital Assets	\$ 23,209,376	\$ (695,989)	\$ 143,510	\$ (3,319)	\$ 22,366,558

NOTE 7: ACCRUED LEAVE

As of December 31, 2019, the Accrued Leave balance was \$144,044. Of this amount, \$117,580 was classified as current, with the remaining portion of \$26,464 classified as noncurrent.

Balance as of 1/1/2019	Increases	Decreases	Balance as of 12/31/2019	Due within 1 Year
\$ 122,065	\$ 21,979	\$ -	\$ 144,044	\$ 117,580

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 8: DEBT

Changes in noncurrent debt for the year ended December 31, 2019 are as follows:

Program/Component Unit	Balance as of Jan. 1, 2019	Additions	Retirements	Balance as of Dec. 31, 2019	Due Within 1 Year	Maturity	Interest Rate
Chateau Rainier FNMA Loan	\$ 9,823,970	\$ -	\$ 158,817	\$ 9,665,153	\$ -	Year 2046	5.66%
Demark FNMA Loan	3,114,919	-	50,358	3,064,561	322,043	Year 2046	5.66%
Lakewood Village FNMA Loan	4,329,946	-	70,000	4,259,946	-	Year 2046	5.66%
Montgrove Manor Project - SH	65,000	-	-	65,000	-	Year 2041	0.00%
Rural Development Loan	449,632		26,881	422,751		Year 2030	1.00%
Total	\$ 17,783,467	\$ -	\$ 306,056	\$ 17,477,411	\$ 322,043		

Chateau Rainier Apartments LLC

In 2016, the Chateau Rainier Apartments, LLC obtained a FNMA loan for the purpose of refinancing the existing debt in the amount of \$10,250,000. The loan carries an interest rate of 5.66% and matures in 2046. Monthly payments are \$59,231. Future minimum principal and interest payments related to the loan are as follows:

Year	Principal		Total Payments
	Due	Interest Due	
FY 2020	168,045	547,048	715,093
FY 2021	172,997	537,781	710,778
FY 2022	182,789	527,989	710,778
FY 2023	193,135	517,643	710,778
FY 2024	204,066	506,712	710,778
FY 2025-2029	1,207,227	2,346,663	3,553,890
FY 2030-2034	1,589,798	1,964,092	3,553,890
FY 2035-2039	2,093,606	1,460,284	3,553,890
FY 2040-2044	2,757,072	796,818	3,553,890
FY 2045-2046	1,096,416	12,414	1,108,830
Total	\$ 9,665,153	\$ 9,217,442	\$ 18,882,595

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

DeMark Apartments LLC

In 2016, the DeMark Apartments, LLC obtained a FNMA loan for the purpose of refinancing the existing debt in the amount of \$3,250,000. The loan carries an interest rate of 5.66% and matures in 2046. Monthly payments are \$18,781. Future minimum principal and interest payments related to the loan are as follows:

Year	Principal Due	Interest Due	Total Payments
FY 2020	53,283	173,454	226,737
FY 2021	54,853	170,516	225,369
FY 2022	57,958	167,411	225,369
FY 2023	61,238	164,131	225,369
FY 2024	64,704	160,665	225,369
FY 2025-2029	382,782	744,063	1,126,845
FY 2030-2034	504,086	622,759	1,126,845
FY 2035-2039	663,831	463,014	1,126,845
FY 2040-2044	874,199	252,646	1,126,845
FY 2045-2046	347,626	3,934	351,560
Total	<u>\$ 3,064,561</u>	<u>\$ 2,922,592</u>	<u>\$ 5,987,153</u>

Lakewood Village Apartments LLC

In 2016, the Lakewood Village Apartments, LLC obtained a FNMA loan for the purpose of refinancing the existing debt in the amount of \$4,517,719. The loan carries an interest rate of 5.66% and matures in 2046. Monthly payments are \$26,106. Future minimum principal and interest payments related to the loan are as follows:

Year	Principal Due	Interest Due	Total Payments
FY 2020	74,066	241,113	315,179
FY 2021	76,250	237,028	313,278
FY 2022	80,565	232,713	313,278
FY 2023	85,125	228,153	313,278
FY 2024	89,943	223,335	313,278
FY 2025-2029	532,092	1,034,298	1,566,390
FY 2030-2034	700,713	865,677	1,566,390
FY 2035-2039	922,769	643,621	1,566,390
FY 2040-2044	1,215,196	351,194	1,566,390
FY 2045-2046	483,225	5,468	488,693
Total	<u>\$ 4,259,945</u>	<u>\$ 4,062,599</u>	<u>\$ 8,322,544</u>

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Rural Development Program

In 2014, the Authority obtaining a loan that was used to acquire an apartment complex in the amount of \$696,219. The loan carries an interest rate of 1% and matures in 2030. Annual payments are \$26,871.

Year	Principal Due	Interest Due	Total Payments
FY 2020	22,643	4,228	26,871
FY 2021	22,870	4,001	26,871
FY 2022	23,099	3,772	26,871
FY 2023	23,330	3,541	26,871
FY 2024	23,563	3,308	26,871
FY 2025-2029	121,396	12,959	134,355
FY 2030-2034	185,851	6,766	192,617
Total	\$ 422,752	\$ 38,575	\$ 461,327

Business Activity

The Authority is carrying a loan payable for \$65,000 which was used as funding of a capital project for Montgrove Manor. The interest rate is 0.0% and will be released in 2041.

NOTE 9: NET PENSION LIABILITY

The following table represents the aggregate pension amounts for all plans for the year 2019:

Aggregate Pension Amounts – All Plans			
	PERS 1	PERS 2/3	Total
Pension liabilities	\$ 639,060	\$ 208,634	\$ 847,694
Pension assets	\$ -----	\$ -----	\$ -----
Deferred outflows of resources	\$ -----	\$ 195,513	\$ 195,513
Deferred inflows of resources	\$ 42,695	\$ 460,254	\$ 502,949
Pension expense/expenditures	\$ 27,685	\$ 39,898	\$ 67,584

State Sponsored Pension Plans

Substantially all Pierce County Housing Authority's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%
July – December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%.

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2019		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

July – December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%.

The Pierce County Housing Authority’s actual PERS plan contributions were \$119,168 to PERS Plan 1 and \$175,426 to PERS Plan 2/3 for the measurement period ended June 30, 2019.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report’s Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

**PIERCE COUNTY HOUSING AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' 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 of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the (city/county/district's) proportionate share* of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the (city/county/district's) proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 800,307	\$ 639,060	\$ 499,157
PERS 2/3	\$ 1,600,140	\$ 208,634	\$ (933,189)

* See Note 4.C of the DRS Participating Employer Financial Information report for the year ended June 30. Multiply the total net pension liability amounts for each applicable plan by your proportionate share for that plan.

Pension Plan Fiduciary Net Position

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the (city/county/district) reported a total pension liability of \$ _____ for its proportionate share of the net pension liabilities as follows (only report applicable plans):

	Liability (or Asset)
PERS 1	\$ 639,060
PERS 2/3	\$ 208,634

At June 30, the Pierce County Housing Authority proportionate share of the collective net pension liabilities was as follows (only report applicable plans):

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	.016652%	.016619%	.000033%
PERS 2/3	.021202%	.021479%	.000277%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Pension Expense

For the year ended December 31, 2019, the Pierce County Housing Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$27,685
PERS 2/3	\$39,898

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the Pierce County Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (prepare a separate table for each plan and one for all plans in total):

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ (42,695)
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$ 45,670	\$
TOTAL	\$ 45,670	\$ (42,695)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,774	\$ (44,855)
Net difference between projected and actual investment earnings on pension plan investments	\$ -----	\$ (303,686)
Changes of assumptions	\$ 5,342	\$ (87,536)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 10,462	\$ (24,178)
Contributions subsequent to the measurement date	\$ 74,264	\$ -----
TOTAL	\$ 149,842	\$ (460,255)

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Totals All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,774	\$ (44,855)
Net difference between projected and actual investment earnings on pension plan investments	\$ -----	\$ (346,381)
Changes of assumptions	\$ 5,342	\$ (87,536)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 10,462	\$ (24,178)
Contributions subsequent to the measurement date	\$ 119,934	\$ -----
TOTAL	\$ 195,512	\$ (502,950)

Deferred outflows of resources related to pensions resulting from the Pierce County Housing Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2020	\$ (9,425)
2021	\$ (22,325)
2022	\$ (7,967)
2023	\$ (2,977)
2024	\$
Thereafter	\$
Total	\$ (42,694)

Year ended December 31:	PERS 2/3
2020	\$ (94,014)
2021	\$ (159,317)
2022	\$ (72,578)
2023	\$ (40,449)
2024	\$ (20,294)
Thereafter	\$ 1,975
Total	\$ (384,677)

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

On January 1, 2014, the Authority changed its medical plan for all eligible employees to an agent multiple-employer health care plan offered through the Public Employees Benefits Board (PEBB). PEBB offers retirees access to medical, prescription drug, life dental, vision, disability and long-term care insurance. The Authority pays monthly premiums to PEBB to provide current coverage for medical and other benefits for active employees. These premiums do not pay for a portion of the PEBB benefit to future retirees. The PEBB OPEB plan does not issue a publicly available financial report.

Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the Washington State Health Care Authority (HCA), is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life and long-term disability.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the PEBB, employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

Eligibility

Employees must be a vested member and meet the eligibility requirements from a Washington State-sponsored retirement plan when your employer coverage, COBRA coverage, or continuation coverage ends. Employees must provide documentation for enrollment no later than 60 days after the end of the continuation coverage.

Substantially all of the Authority's employees will become eligible for these benefits if they reach normal retirement age while working for the Authority. There are currently no terminated employees or retirees who are eligible to receive these benefits.

Benefits

Upon retirement, members have access to medical, prescription drug, life dental, vision, disability and long-term care insurance. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis.

HCA administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. PEBB plan benefits provide two different subsidies for retirees: an explicit subsidy and an implicit subsidy. In addition, there is cost-sharing between employers and employees. Each participating employer pays a portion of the premium for active employees. Retirees are responsible for paying the full premium for participating in the program, which are reduced through the subsidies.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the State Legislature.

Membership in the PEBB plan for the Authority consisted of the following:

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Inactive employees or beneficiaries currently receiving benefits	1
Active Employees	37
Total	38

Funding Policy

The Washington Health Care Authority (HCA) administers the PEBB benefit plans. For medical insurance, HCA has two claims pools: one covering employees and non-Medicare eligible retirees and one covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employees provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidy, permitted under the Revised Code of Washington (RCW) 41.05.085, is a straightforward, set dollar amount for a specific group of people. The explicit subsidy lowers the monthly premium paid by retired members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually.

Claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, so retired members pay a premium based on a pool of members that are, on average, younger and healthier. This results in an implicit subsidy, set up under RCW 41.05.022, from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The implicit and explicit subsidies are funded on a pay-as-you-go basis. As such, the funded ratio is 0.

Contribution Information. Administrative costs as well as implicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits. The benefits are funded on a pay-as-you-go basis. The estimated monthly cost for PEBB benefits for the reporting period for each active employee (average across all plans and tiers) is as follows:

Annual OPEB Cost and Total OPEB Liability (TOL)

The Authority's OPEB cost is calculated based upon the Annual Required Contribution of the employer (ARC). With fewer than 100 total plan members, the Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 75. The Authority's OPEB expense recorded using the alternative approach is (\$310,839). The Net OPEB Liability of \$1,471,127 is included as a noncurrent liability on the Statement of Net Position.

Actuarial Methods and Assumptions

The economic assumptions are used in the actuarial valuation to determine liabilities and benefit payments in the future. For presentation purposes, they are shown separately for non-healthcare and healthcare.

The inflation assumption is a building block component of the healthcare trend rates and reflects our office's current assumption for future inflation. This assumption is studied by our office every two years as part of the Economic Experience Study. The PEBB programs do not provide salary-based benefits, however we rely on a salary growth assumption to complete this analysis based on the GASB 75 prescribed EAN cost method. All other non-healthcare economic assumptions, including salary growth, are consistent with assumptions presented in the *June 30, 2017 Actuarial Valuation Report (AVR)*.

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Authority has used the alternative measurement method permitted under GASB Statement 75. A single retirement age of 55 was assumed for all active members to determine the AAL and normal cost.

A copy of the 2018 Other Post-Employment Benefits Actuarial Valuation Report can be downloaded from the Washington Office of the State Actuary located at the following website:

<http://leg.wa.gov/osa/additionalservices/Documents/Final.2018.PEBB.OPEB.AVR.pdf>

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Actuarial Information</u>	<u>PEBB Plan</u>
Actuarial Assumptions:	
Single Discount Rate	
Beginning of Measurement Year	3.87%
End of Measurement Year	3.50%
Based Mortality Table	Healthy RP-2000
Age Setback	1 year
Mortality Improvements	100% Scale BB
Projected Salary Changes	3.5% + Service-Based increases
Dental Benefits	Increase of dental benefits increasing TOL by 3% Initial rate is approximately 7%, trending down to about 5% in 2020
Healthcare Trend Rates	
Inflation Rate	2.75%
Post- Retirement Participation	65%
Percentage with Spouse Coverage	45%

The explicit subsidy lowers the monthly premium paid by members over the age of 65 enrolled Medicare Parts A and B. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy. The final amount is approved by the state Legislature. The explicit subsidy is the lesser of 50% of the monthly premium and the maximum explicit subsidy per month. In 2019, the dollar amount was set at \$168 and will increase to \$183 in 2020.

The following table presents the Authority's proportionate share of the OPEB liability calculated using the current discount rate, and the expected net OPEB liability if it were calculated using a discount rate that is one-percentage-point lower and one-percentage-point higher than the current rate.

	<u>Sensitivity Analysis</u>		
	1% Decrease	Current Rate	1% Increase
Discount Rate	\$1,427,802	\$1,152,976	\$940,386

PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11: CONDENSED FINANCIAL INFORMATION

The following condensed financial information for blended component units of the Authority has been presented for the year ending December 31, 2019.

	<i>Condensed Statements of Net Position</i>		
	Chateau Rainier Apartments, LLC	DeMark Apartments, LLC	Lakewood Village Apartments, LLC
Current Assets	747,892	135,966	329,349
Capital Assets	5,115,683	1,774,914	4,890,580
Total Assets	5,863,575	1,910,880	5,219,929
Deferred Outflows of Resources	-	-	-
Current Liabilities	327,987	326,637	175,510
Long-Term Liabilities	9,497,610	3,011,278	4,186,128
Total Liabilities	9,825,597	3,337,915	4,361,638
Deferred Inflows of Resources	-	-	-
Net Investment in Capital Assets	(4,549,470)	(1,289,647)	630,635
Restricted Net Position	59,513	18,870	26,231
Unrestricted Net Position	527,935	(156,258)	201,425
Total Net Position	\$ (3,962,022)	\$ (1,427,035)	\$ 858,291

	<i>Condensed Statement of Revenues, Expenses and Changes in Net Position</i>		
	Chateau Rainier Apartments, LLC	DeMark Apartments, LLC	Lakewood Village Apartments, LLC
Operating Revenue	2,536,356	918,604	1,401,450
Operating Expenses	1,919,995	1,006,824	1,067,765
Depreciation Expense	387,311	145,697	336,434
Operating income (Loss)	229,050	(233,917)	(2,749)
Nonoperating revenues (Expenses)	-	-	-
Change in Net Position	229,050	(233,917)	(2,749)
Beginning Net Position	(4,191,072)	(1,193,118)	861,040
Ending Net Position	\$ (3,962,022)	\$ (1,427,035)	\$ 858,291

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<i>Condensed Statement of Cash Flows</i>		
	Chateau Rainier Apartments, LLC	DeMark Apartments, LLC	Lakewood Village Apartments, LLC
Cash Flows from Operations	\$ 23,877	\$ 7,219	\$ (3,592)
Net Increase (Decrease)	23,877	7,219	(3,592)
Beginning Cash Balance	322,452	128,050	172,314
Ending Cash Balance	\$ 346,329	\$ 135,269	\$ 168,722

NOTE 12: SPECIAL ITEM

The Pierce County Housing Authority was made aware of a fraudulent act of a management official during the annual financial audit conducted by the State Auditor’s Office (SAO). The fraud started in 2016 and continued into 2019. The total amount of fraud was estimated to be at least \$6.9 million. The loss amount in 2019 of \$3,310,760 was recorded as a special item in the financial statements.

NOTE 14: PRIOR PERIOD ADJUSTMENT

The Authority recorded a prior period adjustment in the amount of \$276,034. This was due to a reclassification of prepaid expenses that were erroneously recorded in the prior fiscal year.

NOTE 15: CONTINGENT LIABILITIES

The Authority receives significant financial assistance from federal, state, and local agencies in the form of grants and operating subsidies. HUD provided approximately 79% of the Authority’s operating revenue in the current year. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies; therefore, to the extent that the Authority has not complied with rules and regulations governing the grants, if any, refunds of any money received may be required.

Management believes there are no significant contingent liabilities relating to compliance with grant rules and regulations with the exception of the Special Item described in a previous note. It is unknown at this time the potential consequences or repayments that this event may have upon respect to the grantor agencies.

NOTE 16: SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 17, 2020, the date which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition of disclosure in the financial statements.

The Housing Authority’s operations may be affected by the recent and ongoing outbreak of the coronavirus disease (Covid-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption may cause an adverse impact on the Housing Authority’s financial position, operations and cash flows. Possible effects may include, the reduction of tenant’s dwelling rent due to the increased unemployment, absenteeism in the Housing Authority’s workforce, unavailability of products and supplies, and reduced accessibility to contractors.

Additional funding from the Cares Act legislation has been provided to the Low Rent Housing Program to aid in the preventing, preparing and responding to the COVID-19 virus. This funding, totaling \$46,791 for the Low Rent Housing Program and \$410,560 as supplemental administrative fees for the HCV Program, has been obligated to the Authority. The supplemental funding must be spent by December 31, 2020.

**PIERCE COUNTY HOUSING AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS**

PERS PLAN 1

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Authority's proportion of the net pension liability	0.016619%	0.016652%	0.017061%	0.017223%	0.016029%	N/A	N/A	N/A	N/A	N/A
Authority's proportionate share of the net pension liability	\$639,060	\$743,684	\$809,558	\$924,956	\$838,466	N/A	N/A	N/A	N/A	N/A
Authority's covered employee payroll	\$2,120,023	\$2,263,789	\$2,285,200	\$2,243,004	\$2,049,548	N/A	N/A	N/A	N/A	N/A
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	30.14%	32.85%	35.43%	41.24%	40.91%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%	59.10%	N/A	N/A	N/A	N/A	N/A

PERS PLAN 2/3

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Authority's proportion of the net pension liability	0.021479%	0.021202%	0.021945%	0.022060%	0.020716%	N/A	N/A	N/A	N/A	N/A
Authority's proportionate share of the net pension liability	\$208,634	\$362,005	\$762,484	\$1,108,992	\$740,194	N/A	N/A	N/A	N/A	N/A
Authority's covered employee payroll	\$2,120,023	\$2,263,789	\$2,285,200	\$2,243,004	\$2,049,548	N/A	N/A	N/A	N/A	N/A
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	9.84%	15.99%	33.37%	49.44%	36.11%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability (Traditional)	97.77%	95.77%	90.97%	85.82%	89.20%	N/A	N/A	N/A	N/A	N/A

**PIERCE COUNTY HOUSING AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
LAST 10 FISCAL YEARS**

PERS PLAN 1

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$100,098	\$122,324	\$95,994	\$111,537	\$87,763	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contributions	\$(100,098)	\$(122,324)	\$(95,994)	\$(111,537)	\$(87,763)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -----	\$ -----	\$ -----	\$ -----	\$ -----	N/A	N/A	N/A	N/A	N/A
Authority's covered-employee payroll	\$2,120,023	\$2,263,789	\$2,285,200	\$2,243,004	\$2,049,548	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	4.72%	5.4%	4.20%	4.97%	4.28%	N/A	N/A	N/A	N/A	N/A

PERS PLAN 2/3

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$154,049	\$181,388	\$133,064	\$ 145,676	\$112,210	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contributions	\$(154,049)	\$(181,388)	\$(133,064)	\$(145,676)	\$(112,210)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -----	\$ -----	\$ -----	\$ -----	\$ -----	N/A	N/A	N/A	N/A	N/A
Authority's covered-employee payroll	\$2,120,023	\$2,263,789	\$2,285,200	\$2,243,004	\$2,049,548	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	7.27%	8.01%	5.82%	6.49%	5.47%	N/A	N/A	N/A	N/A	N/A

PIERCE COUNTY HOUSING AUTHORITY
SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY
AND RELATED RATIOS

Item	2019
Service Cost	\$93,130
Interest	\$60,397
Changes in Experience Data and Assumptions	(\$464,366)
Benefit Payments	\$(7,312)
Net Change in Total OPEB Liability	(\$318,151)
Total OPEB Liability – Beginning	\$1,471,127
Total OPEB Liability – Ending	\$1,152,976
Covered Payroll	\$2,120,023
Total OPEB Liability as a Percentage of Covered Payroll	54.39%

Pierce County Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency	Federal Program	Federal CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Debt Liability Balance	Note
				From Pass-Through Awards	From Direct Awards	Total			
U.S. Department of Agriculture (USDA)	Rural Rental Housing Loans	10.415	2019 Loan Subsidy	\$ -	\$ 28,012	\$ 28,012	\$ -	\$ 449,632	1,2,4
U.S. Department of Agriculture (USDA)	Rural Rental Assistance Payments	10.427	2019 RD RA	\$ -	\$ 96,209	\$ 96,209	\$ -	\$ -	1,2
Total Direct from U.S. Department of Agriculture				\$ -	\$ 124,221	\$ 124,221	\$ -	\$ 449,632	
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Office of Public and Indian Housing)	Public and Indian Housing	14.850	2019 OFND	\$ -	\$ 285,314	\$ 285,314	\$ -	\$ -	1,2,3
Housing Voucher Cluster									
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Office of Public and Indian Housing)	Section 8 Housing Choice Vouchers	14.871	2019 HCV	\$ -	\$ 27,734,996	\$ 27,734,996	\$ -	\$ -	1,2,3
Total Housing Voucher Cluster				\$ -	\$ 27,734,996	\$ 27,734,996	\$ -	\$ -	
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Office of Public and Indian Housing)	Public Housing Capital Fund	14.872	2019 CFP	\$ -	\$ 114,937	\$ 114,937	\$ -	\$ -	1,2
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Office of Public and Indian Housing)	Family Self-Sufficiency Program	14.896	2019 FSS	\$ -	\$ 138,000	\$ 138,000	\$ -	\$ -	1,2,3
Total Direct from U.S. Housing and Urban Development				\$ -	\$ 28,273,247	\$ 28,273,247	\$ -	\$ -	
Total Federal Awards Expended				\$ -	\$ 28,397,468	\$ 28,397,468	\$ -	\$ 449,632	

PIERCE COUNTY HOUSING AUTHORITY
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ending December 31, 2019

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as Pierce County Housing Authority's financial statements.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of the program cost. Actual program costs, including the Housing Authority's portion, may be more than shown.

NOTE 3 – INDIRECT COST RATE

The amount expended includes \$1,293,468 claimed as an indirect cost recovery using an approved indirect cost allocation plan. The Housing Authority has not elected to use the 10-percent de Minimis indirect cost rate allowed under Uniform Guidance.

NOTE 4 – RURAL RENTAL HOUSING LOAN

In 2014, the Authority was approved by the USDA Rural Housing Service to receive a loan totaling \$696,219 for the acquisition of an apartment complex. The amount listed on this schedule is the outstanding loan balance as of January 1, 2019, amounting to \$449,632. The balance of the Rural Rental Housing loan at December 31, 2019, was \$422,752.

HA Of Pierce County (WA054)
Tacoma, WA
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fisca

	Project Total	14.871 Housing Choice Vouchers
70300 Net Tenant Rental Revenue	\$554,101	\$0
70400 Tenant Revenue - Other	\$37,554	\$0
70500 Total Tenant Revenue	\$591,655	\$0
70600 HUD PHA Operating Grants	\$330,314	\$27,734,996
70610 Capital Grants	\$69,937	\$0
70710 Management Fee		
70720 Asset Management Fee		
70730 Book Keeping Fee		
70740 Front Line Service Fee		
70750 Other Fees		
70700 Total Fee Revenue		
70800 Other Government Grants	\$0	\$0
71100 Investment Income - Unrestricted	\$897	\$785
71200 Mortgage Interest Income	\$0	\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0
71310 Cost of Sale of Assets	\$0	\$0
71400 Fraud Recovery	\$0	\$44,313
71500 Other Revenue	\$47,491	\$245,443
71600 Gain or Loss on Sale of Capital Assets	-\$9,845	\$0
72000 Investment Income - Restricted	\$0	\$0
70000 Total Revenue	\$1,030,449	\$28,025,537
91100 Administrative Salaries	\$62,799	\$482,534
91200 Auditing Fees	\$18,867	\$124,127
91300 Management Fee	\$0	\$0
91310 Book-keeping Fee	\$0	\$0
91400 Advertising and Marketing	\$0	\$0
91500 Employee Benefit contributions - Administrative	\$25,070	\$193,898
91600 Office Expenses	\$3,482	\$79,410
91700 Legal Expense	\$4,792	\$1,407
91800 Travel	\$0	\$1,084
91810 Allocated Overhead	\$0	\$0
91900 Other	\$157,315	\$540,826

91000 Total Operating - Administrative	\$272,325	\$1,423,286
92000 Asset Management Fee	\$0	\$0
92100 Tenant Services - Salaries	\$0	\$0
92200 Relocation Costs	\$0	\$0
92300 Employee Benefit Contributions - Tenant Services	\$0	\$0
92400 Tenant Services - Other	\$0	\$0
92500 Total Tenant Services	\$0	\$0
93100 Water	\$3,329	\$0
93200 Electricity	\$2,028	\$0
93300 Gas	\$433	\$0
93400 Fuel	\$0	\$0
93500 Labor	\$0	\$0
93600 Sewer	\$0	\$0
93700 Employee Benefit Contributions - Utilities	\$0	\$0
93800 Other Utilities Expense	\$0	\$0
93000 Total Utilities	\$5,790	\$0
94100 Ordinary Maintenance and Operations - Labor	\$123,963	\$0
94200 Ordinary Maintenance and Operations - Materials and Other	\$75,516	\$0
94300 Ordinary Maintenance and Operations Contracts	\$114,236	\$0
94500 Employee Benefit Contributions - Ordinary Maintenance	\$61,136	\$0
94000 Total Maintenance	\$374,851	\$0
95100 Protective Services - Labor	\$0	\$0
95200 Protective Services - Other Contract Costs	\$0	\$0
95300 Protective Services - Other	\$0	\$0
95500 Employee Benefit Contributions - Protective Services	\$0	\$0
95000 Total Protective Services	\$0	\$0
96110 Property Insurance	\$0	\$0
96120 Liability Insurance	\$0	\$0
96130 Workmen's Compensation	\$2,915	\$1,128
96140 All Other Insurance	\$27,385	\$81,260
96100 Total insurance Premiums	\$30,300	\$82,388
96200 Other General Expenses	\$51,785	\$277,409
96210 Compensated Absences	\$999	\$11,304
96300 Payments in Lieu of Taxes	\$54,835	\$0
96400 Bad debt - Tenant Rents	\$17,424	\$0
96500 Bad debt - Mortgages	\$0	\$0
96600 Bad debt - Other	\$0	\$20,579
96800 Severance Expense	\$0	\$0

96000	Total Other General Expenses	\$125,043	\$309,292
96710	Interest of Mortgage (or Bonds) Payable	\$0	\$0
96720	Interest on Notes Payable (Short and Long Term)	\$0	\$0
96730	Amortization of Bond Issue Costs	\$0	\$0
96700	Total Interest Expense and Amortization Cost	\$0	\$0
96900	Total Operating Expenses	\$808,309	\$1,814,966
97000	Excess of Operating Revenue over Operating Expenses	\$222,140	\$26,210,571
97100	Extraordinary Maintenance	\$97,271	\$0
97200	Casualty Losses - Non-capitalized	\$0	\$0
97300	Housing Assistance Payments	\$1,521	\$25,869,876
97350	HAP Portability-In	\$0	\$24,549
97400	Depreciation Expense	\$338,749	\$19,807
97500	Fraud Losses	\$0	\$0
97600	Capital Outlays - Governmental Funds		
97700	Debt Principal Payment - Governmental Funds		
97800	Dwelling Units Rent Expense	\$0	\$0
90000	Total Expenses	\$1,245,850	\$27,729,198
10010	Operating Transfer In	\$45,000	\$0
10020	Operating transfer Out	-\$45,000	\$0
10030	Operating Transfers from/to Primary Government	\$0	\$0
10040	Operating Transfers from/to Component Unit	\$0	\$0
10050	Proceeds from Notes, Loans and Bonds		
10060	Proceeds from Property Sales		
10070	Extraordinary Items, Net Gain/Loss	\$0	\$0
10080	Special Items (Net Gain/Loss)	\$0	\$0
10091	Inter Project Excess Cash Transfer In	\$0	
10092	Inter Project Excess Cash Transfer Out	\$0	
10093	Transfers between Program and Project - In	\$0	\$0
10094	Transfers between Project and Program - Out	\$0	\$0
10100	Total Other financing Sources (Uses)	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$215,401	\$296,339
11020	Required Annual Debt Principal Payments	\$0	\$0
11030	Beginning Equity	\$6,048,818	-\$1,209,332
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$57,305	\$0
11050	Changes in Compensated Absence Balance		
11060	Changes in Contingent Liability Balance		
11070	Changes in Unrecognized Pension Transition Liability		

11080	Changes in Special Term/Severance Benefits Liability		
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents		
11100	Changes in Allowance for Doubtful Accounts - Other		
11170	Administrative Fee Equity		-\$912,993
11180	Housing Assistance Payments Equity		\$0
11190	Unit Months Available	1495	35194
11210	Number of Unit Months Leased	1473	31370
11270	Excess Cash	-\$51,882	
11610	Land Purchases	\$0	
11620	Building Purchases	\$69,937	
11630	Furniture & Equipment - Dwelling Purchases	\$0	
11640	Furniture & Equipment - Administrative Purchases	\$0	
11650	Leasehold Improvements Purchases	\$0	
11660	Infrastructure Purchases	\$0	
13510	CFFP Debt Service Payments	\$0	
13901	Replacement Housing Factor Funds	\$0	

I Year End: 12/31/2019

14.896 PIH Family Self-Sufficiency Program	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	1 Business Activities	8 Other Federal Program 1	6.2 Component Unit - Blended
	\$144,525		\$1,289,964		\$4,745,819
	\$11,192		\$57,006		\$151,938
\$0	\$155,717	\$0	\$1,346,970	\$0	\$4,897,757
\$138,000					
	\$28,012	\$96,209			
	\$115		\$1,214	\$594	\$1,647
\$17,500	\$1,403		\$31,898	\$4,552	\$60,122
			-\$22,858	\$202,695	-\$44,106
\$155,500	\$185,247	\$96,209	\$1,357,224	\$207,841	\$4,915,420
	\$4,089		\$81,855		\$151,188
			\$11,516	\$2,493	\$40,827
	\$2,163		\$22,315		\$55,991
\$1,737			\$16,861		\$33,993
			\$190,905		\$17,323
			\$351		
					\$398,022
\$10,177			\$185,493	\$2,954	\$5,090

\$11,914	\$6,252	\$0	\$509,296	\$5,447	\$702,434
\$104,621					
\$37,326					
\$141,947	\$0	\$0	\$0	\$0	\$0
	\$5,252		\$33,490		\$190,781
	\$1,725		\$43,319		\$56,476
	\$0				
	\$0				
	\$0				
	\$10,888		\$104,927		\$366,512
	\$15,682				\$10,993
\$0	\$33,547	\$0	\$181,736	\$0	\$624,762
	\$3,195		\$112,572		\$353,950
	\$1,318		\$47,938		\$180,211
	\$14,207		\$252,143		\$845,468
	\$1,497		\$51,122		\$112,878
\$0	\$20,217	\$0	\$463,775	\$0	\$1,492,507
\$0	\$0	\$0	\$0	\$0	\$0
\$254	\$72		\$4,329	\$2	\$9,882
	\$7,818		\$43,264	\$0	\$7,437
\$254	\$7,890	\$0	\$47,593	\$2	\$17,319
	\$13,728		\$69,524	\$3,439	\$137,695
\$1,385	\$55		-\$2,877	\$77	\$10,952
			\$12,633		\$25,581

\$1,385	\$13,783	\$0	\$79,280	\$3,516	\$174,228
	\$29,529				\$968,931
\$0	\$29,529	\$0	\$0	\$0	\$968,931
\$155,500	\$111,218	\$0	\$1,281,680	\$8,965	\$3,980,181
\$0	\$74,029	\$96,209	\$75,544	\$198,876	\$935,239
		\$96,209			
	\$20,216		\$314,101	\$135	\$869,442
\$155,500	\$131,434	\$96,209	\$1,595,781	\$9,100	\$4,849,623
				\$0	\$0
\$0	\$0	\$0	-\$3,310,760	\$0	\$0
\$0	\$53,813	\$0	-\$3,549,317	\$198,741	\$65,797
\$0	\$26,880	\$0	\$0	\$0	\$279,176
\$0	\$259,761	\$0	\$6,478,417	\$1,721,857	-\$4,523,150
\$0			-\$121,488	\$57,305	

0	240	0	2244	0	5724
0	237	0	2215	0	5566

14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
\$0	\$6,734,409	\$0	\$6,734,409
\$0	\$257,690	\$0	\$257,690
\$0	\$6,992,099	\$0	\$6,992,099
\$0	\$28,203,310	\$0	\$28,203,310
\$0	\$69,937	\$0	\$69,937
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$124,221	\$0	\$124,221
\$0	\$5,252	\$0	\$5,252
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$44,313	\$0	\$44,313
\$0	\$408,409	\$0	\$408,409
\$0	\$125,886	\$0	\$125,886
\$0	\$0	\$0	\$0
\$0	\$35,973,427	\$0	\$35,973,427
\$0	\$782,465	\$0	\$782,465
\$0	\$197,830	\$0	\$197,830
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$299,437	\$0	\$299,437
\$0	\$135,483	\$0	\$135,483
\$0	\$214,427	\$0	\$214,427
\$0	\$1,435	\$0	\$1,435
\$0	\$398,022	\$0	\$398,022
\$0	\$901,855	\$0	\$901,855

\$0	\$2,930,954	\$0	\$2,930,954
\$0	\$0	\$0	\$0
\$0	\$104,621	\$0	\$104,621
\$0	\$0	\$0	\$0
\$0	\$37,326	\$0	\$37,326
\$0	\$0	\$0	\$0
\$0	\$141,947	\$0	\$141,947
\$0	\$232,852	\$0	\$232,852
\$0	\$103,548	\$0	\$103,548
\$0	\$433	\$0	\$433
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$482,327	\$0	\$482,327
\$0	\$0	\$0	\$0
\$0	\$26,675	\$0	\$26,675
\$0	\$845,835	\$0	\$845,835
\$0	\$593,680	\$0	\$593,680
\$0	\$304,983	\$0	\$304,983
\$0	\$1,226,054	\$0	\$1,226,054
\$0	\$226,633	\$0	\$226,633
\$0	\$2,351,350	\$0	\$2,351,350
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$18,582	\$0	\$18,582
\$0	\$167,164	\$0	\$167,164
\$0	\$185,746	\$0	\$185,746
\$0	\$553,580	\$0	\$553,580
\$0	\$21,895	\$0	\$21,895
\$0	\$93,049	\$0	\$93,049
\$0	\$17,424	\$0	\$17,424
\$0	\$0	\$0	\$0
\$0	\$20,579	\$0	\$20,579
\$0	\$0	\$0	\$0

\$0	\$706,527	\$0	\$706,527
\$0	\$998,460	\$0	\$998,460
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$998,460	\$0	\$998,460
\$0	\$8,160,819	\$0	\$8,160,819
\$0	\$27,812,608	\$0	\$27,812,608
\$0	\$97,271	\$0	\$97,271
\$0	\$0	\$0	\$0
\$0	\$25,967,606	\$0	\$25,967,606
\$0	\$24,549	\$0	\$24,549
\$0	\$1,562,450	\$0	\$1,562,450
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$35,812,695	\$0	\$35,812,695
\$0	\$45,000	-\$102,305	-\$57,305
\$0	-\$45,000	\$102,305	\$57,305
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	-\$3,310,760	\$0	-\$3,310,760
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	-\$3,310,760	\$0	-\$3,310,760
\$0	-\$3,150,028	\$0	-\$3,150,028
\$0	\$306,056	\$0	\$306,056
\$154,546	\$8,930,917	\$0	\$8,930,917
-\$154,546	-\$276,034	\$0	-\$276,034
\$0			
\$0			
\$0			

\$0			
\$0			
\$0			
\$0	-\$912,993		-\$912,993
\$0	\$0		\$0
0	44897	0	44897
0	40861	0	40861
\$0	-\$51,882		-\$51,882
\$0	\$0		\$0
\$0	\$69,937		\$69,937
\$0	\$0		\$0
\$0	\$0		\$0
\$0	\$0		\$0
\$0	\$0		\$0
\$0	\$0		\$0
\$0	\$0		\$0

HA Of Pierce County (WA054)
Tacoma, WA
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fisca

	Project Total	14.871 Housing Choice Vouchers
111 Cash - Unrestricted	\$274,344	\$767,858
112 Cash - Restricted - Modernization and Development	\$0	\$0
113 Cash - Other Restricted	\$146,830	\$98,513
114 Cash - Tenant Security Deposits	\$41,150	\$0
115 Cash - Restricted for Payment of Current Liabilities	\$14,053	\$218,913
100 Total Cash	\$476,377	\$1,085,284
121 Accounts Receivable - PHA Projects	\$0	\$0
122 Accounts Receivable - HUD Other Projects	\$0	\$208,095
124 Accounts Receivable - Other Government	\$0	\$0
125 Accounts Receivable - Miscellaneous	\$1,006	\$0
126 Accounts Receivable - Tenants	\$6,330	\$0
126.1 Allowance for Doubtful Accounts -Tenants	-\$4,597	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	-\$18,080
127 Notes, Loans, & Mortgages Receivable - Current	\$0	\$0
128 Fraud Recovery	\$0	\$0
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0
129 Accrued Interest Receivable	\$0	\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,739	\$190,015
131 Investments - Unrestricted	\$0	\$0
132 Investments - Restricted	\$0	\$0
135 Investments - Restricted for Payment of Current Liability	\$0	\$0
142 Prepaid Expenses and Other Assets	\$0	\$0
143 Inventories	\$0	\$0
143.1 Allowance for Obsolete Inventories	\$0	\$0
144 Inter Program Due From	\$69,937	\$0
145 Assets Held for Sale	\$0	\$0
150 Total Current Assets	\$549,053	\$1,275,299
161 Land	\$1,980,161	\$0
162 Buildings	\$9,819,215	\$0
163 Furniture, Equipment & Machinery - Dwellings	\$420,800	\$0
164 Furniture, Equipment & Machinery - Administration	\$107,746	\$111,046
165 Leasehold Improvements	\$0	\$0

166	Accumulated Depreciation	-\$6,589,671	-\$102,625
167	Construction in Progress	\$0	\$0
168	Infrastructure	\$0	\$0
160	Total Capital Assets, Net of Accumulated Depreciation	\$5,738,251	\$8,421
171	Notes, Loans and Mortgages Receivable - Non-Current	\$0	\$0
172	Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$0	\$0
173	Grants Receivable - Non Current	\$0	\$0
174	Other Assets	\$0	\$0
176	Investments in Joint Ventures	\$0	\$0
180	Total Non-Current Assets	\$5,738,251	\$8,421
200	Deferred Outflow of Resources	\$15,023	\$114,761
290	Total Assets and Deferred Outflow of Resources	\$6,302,327	\$1,398,481
311	Bank Overdraft	\$0	\$0
312	Accounts Payable <= 90 Days	\$0	\$2,602
313	Accounts Payable >90 Days Past Due	\$0	\$0
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0
322	Accrued Compensated Absences - Current Portion	\$11,645	\$33,822
324	Accrued Contingency Liability	\$0	\$0
325	Accrued Interest Payable	\$0	\$0
331	Accounts Payable - HUD PHA Programs	\$0	\$0
332	Account Payable - PHA Projects	\$0	\$0
333	Accounts Payable - Other Government	\$54,835	\$0
341	Tenant Security Deposits	\$41,150	\$0
342	Unearned Revenue	\$12,216	\$0
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0	\$0
344	Current Portion of Long-term Debt - Operating Borrowings	\$0	\$0
345	Other Current Liabilities	\$16,971	\$180,398
346	Accrued Liabilities - Other		\$177,289
347	Inter Program - Due To	\$249,929	\$1,373,148
348	Loan Liability - Current	\$0	\$0
310	Total Current Liabilities	\$386,746	\$1,767,259
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$0
352	Long-term Debt, Net of Current - Operating Borrowings	\$0	\$0
353	Non-current Liabilities - Other	\$10,495	\$98,513
354	Accrued Compensated Absences - Non Current	\$3,223	\$9,363
355	Loan Liability - Non Current	\$0	\$0
356	FASB 5 Liabilities	\$0	\$0
357	Accrued Pension and OPEB Liabilities	\$76,947	\$310,630
350	Total Non-Current Liabilities	\$90,665	\$418,506

300 Total Liabilities	\$477,411	\$2,185,765
400 Deferred Inflow of Resources	\$48,804	\$125,709
508.4 Net Investment in Capital Assets	\$5,738,251	\$8,421
511.4 Restricted Net Position	\$0	\$0
512.4 Unrestricted Net Position	\$37,861	-\$921,414
513 Total Equity - Net Assets / Position	\$5,776,112	-\$912,993
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,302,327	\$1,398,481

I Year End: 12/31/2019

14.896 PIH Family Self-Sufficiency Program	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	1 Business Activities	8 Other Federal Program 1	6.2 Component Unit - Blended
	\$243,766		\$185,924	\$440,123	
					\$201,247
	\$70,506	\$2,239	\$0		\$104,614
	\$6,400		\$45,829		\$155,895
					\$188,565
\$0	\$320,672	\$2,239	\$231,753	\$440,123	\$650,321
	\$2,599		\$10,326	\$2,760	
	\$288		\$7,946		\$7,945
	-\$107		-\$2,318		-\$2,025
	\$0		\$0	-\$14,760	
				\$0	
\$0	\$2,780	\$0	\$15,954	-\$12,000	\$5,920
			\$105,565		
			\$41,721		
			\$11,395		
			\$0		
			\$2,247,608	\$494,018	\$616,085
\$0	\$323,452	\$2,239	\$2,653,996	\$922,141	\$1,272,326
	\$90,100		\$1,172,692		\$2,027,164
	\$616,564		\$6,404,076		\$19,222,934
	\$49,197		\$497,789		\$2,016,387
	\$0		\$633,749		
	\$0				

	-279,140		-4,346,318		-11,485,308
	\$0				
\$0	\$476,721	\$0	\$4,361,988	\$0	\$11,781,177
			\$50,000	\$1,055,762	
\$0	\$476,721	\$0	\$4,411,988	\$1,055,762	\$11,781,177
			\$65,729		
\$0	\$800,173	\$2,239	\$7,131,713	\$1,977,903	\$13,053,503
			\$347,935		
			\$45,280		
			\$72,115		
					\$80,135
				\$0	
	\$6,400		\$42,412		\$155,895
	\$587	\$2,239	\$20,393	\$0	\$72,478
	\$26,649				\$295,394
	\$390		\$10,121		\$9,379
			\$203,903		\$15,462
	\$56,468		\$1,561,006		\$187,097
				\$0	
\$0	\$90,494	\$2,239	\$2,303,165	\$0	\$815,840
	\$396,103		\$65,000		\$16,694,265
	\$2		\$529		\$751
			\$13,878		
				\$0	
			\$1,613,093	\$0	
\$0	\$396,105	\$0	\$1,692,500	\$0	\$16,695,016

\$0	\$486,599	\$2,239	\$3,995,665	\$0	\$17,510,856
			\$328,436		
\$0	\$53,969	\$0	\$4,296,988	\$0	-\$5,208,482
\$0	\$70,506	\$0	\$0	\$0	\$104,614
\$0	\$189,099	\$0	-\$1,489,376	\$1,977,903	\$646,515
\$0	\$313,574	\$0	\$2,807,612	\$1,977,903	-\$4,457,353
\$0	\$800,173	\$2,239	\$7,131,713	\$1,977,903	\$13,053,503

14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
\$0	\$1,912,015	\$0	\$1,912,015
\$0	\$201,247	\$0	\$201,247
\$0	\$422,702	\$0	\$422,702
\$0	\$249,274	\$0	\$249,274
\$0	\$421,531	\$0	\$421,531
\$0	\$3,206,769	\$0	\$3,206,769
\$0	\$0	\$0	\$0
\$0	\$208,095	\$0	\$208,095
\$0	\$0	\$0	\$0
\$0	\$16,691	\$0	\$16,691
\$0	\$22,509	\$0	\$22,509
\$0	-\$9,047	\$0	-\$9,047
\$0	-\$32,840	\$0	-\$32,840
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$205,408	\$0	\$205,408
\$0	\$105,565	\$0	\$105,565
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$41,721	\$0	\$41,721
\$0	\$11,395	\$0	\$11,395
\$0	\$0	\$0	\$0
\$0	\$3,427,648	-\$3,427,648	\$0
\$0	\$0	\$0	\$0
\$0	\$6,998,506	-\$3,427,648	\$3,570,858
\$0	\$5,270,117	\$0	\$5,270,117
\$0	\$36,062,789	\$0	\$36,062,789
\$0	\$2,984,173	\$0	\$2,984,173
\$0	\$852,541	\$0	\$852,541
\$0	\$0	\$0	\$0

\$0	-\$22,803,062	\$0	-\$22,803,062
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$22,366,558	\$0	\$22,366,558
\$0	\$1,105,762	\$0	\$1,105,762
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$23,472,320	\$0	\$23,472,320
\$0	\$195,513	\$0	\$195,513
\$0	\$30,666,339	-\$3,427,648	\$27,238,691
\$0	\$0	\$0	\$0
\$0	\$350,537	\$0	\$350,537
\$0	\$0	\$0	\$0
\$0	\$45,280	\$0	\$45,280
\$0	\$117,582	\$0	\$117,582
\$0	\$0	\$0	\$0
\$0	\$80,135	\$0	\$80,135
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$54,835	\$0	\$54,835
\$0	\$245,857	\$0	\$245,857
\$0	\$107,913	\$0	\$107,913
\$0	\$322,043	\$0	\$322,043
\$0	\$0	\$0	\$0
\$0	\$217,259	\$0	\$217,259
\$0	\$396,654	\$0	\$396,654
\$0	\$3,427,648	-\$3,427,648	\$0
\$0	\$0	\$0	\$0
\$0	\$5,365,743	-\$3,427,648	\$1,938,095
\$0	\$17,155,368	\$0	\$17,155,368
\$0	\$0	\$0	\$0
\$0	\$110,290	\$0	\$110,290
\$0	\$26,464	\$0	\$26,464
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$2,000,670	\$0	\$2,000,670
\$0	\$19,292,792	\$0	\$19,292,792

\$0	\$24,658,535	-\$3,427,648	\$21,230,887
\$0	\$502,949		\$502,949
\$0	\$4,889,147		\$4,889,147
\$0	\$175,120		\$175,120
\$0	\$440,588		\$440,588
\$0	\$5,504,855	\$0	\$5,504,855
\$0	\$30,666,339	-\$3,427,648	\$27,238,691

Actual Modernization Cost Certificate

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 03/31/2020)

Capital Fund Program (CFP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Public Housing Authority (PHA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

PHA Name:

Pierce County Housing Authority

Modernization Project Number:

WA01P054501-18

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

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

A. Funds Approved	\$ 267,896
B. Funds Disbursed	\$ 267,896
C. Funds Expended (Actual Modernization Cost)	\$ 267,896
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;

5. That the time in which such liens could be filed has expired; and

6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.

7. Please mark one:

A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

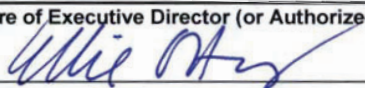
Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name & Title of Authorized Signatory (type or print clearly):

Ellie Ottey Acting Executive Director

Signature of Executive Director (or Authorized Designee):

X



Date:

7/7/2020

For HUD Use Only Verified by: Cherie Shanks, 07/14/2020

The Cost Certificate is approved for audit (if box 7A is marked):

Approved for Audit (Director, Office of Public Housing)

CHARRON ALFONSO

Date:

Digitally signed by CHARRON ALFONSO
DN: cn = CHARRON ALFONSO c = US o = U.S. Government OU = Department of Housing and Urban Development,
Office of Administration
Date: 2020.07.14 14:17:58 -0700

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):

Approved: (Director, Office of Public Housing)

X

Date:

Actual Modernization Cost Certificate

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 03/31/2020)

Capital Fund Program (CFP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Public Housing Authority (PHA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

PHA Name: Pierce County Housing Authority	Modernization Project Number: WA01P054501-17
--	---

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

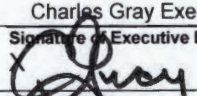
1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Funds Approved	\$ 171,554
B. Funds Disbursed	\$ 171,554
C. Funds Expended (Actual Modernization Cost)	\$ 171,554
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0

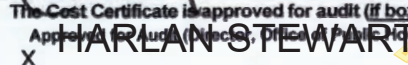
- That all modernization work in connection with the Modernization Grant has been completed;
- That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;
- That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;
- That the time in which such liens could be filed has expired; and
- That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.
- Please mark one:
 - A. This grant **will** be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.
 - B. This grant **will not** be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.
Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name & Title of Authorized Signatory (type or print clearly):
Charles Gray Executive Director

Signature of Executive Director (or Authorized Designee):  Date: 11/14/18

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):
Approved for Audit (Director, Office of Public Housing):  Date: 11/16/2018

Digitally signed by HARLAN STEWART
DN: cn = HARLAN STEWART, o = U.S. Government OU = Department of Housing and Urban Development, Office of Administration
Date: 2018.11.16 13:40:51 -08'00'

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):
Approved: (Director, Office of Public Housing) X Date:

Annual Statement/Performance and Evaluation Report
 Capital Fund Program, Capital Fund Program Replacement Housing Factor and
 Capital Fund Financing Program

U.S. Department of Housing and Urban Development
 Office of Public and Indian Housing
 OMB No. 2577-0226
 Expires 06/30/2017

Part I: Summary		Grant Type and Number Capital Fund Program Grant No: WA19P054501-17 Replacement Housing Factor Grant No: Date of CFFP:		FFY of Grant: 2017 FFY of Grant Approval:
PHA Name: Pierce County Housing Authority				
Type of Grant	<input type="checkbox"/> Original Annual Statement <input type="checkbox"/> Performance and Evaluation Report for Period Ending:	<input type="checkbox"/> Reserve for Disasters/Emergencies <input type="checkbox"/> Summary by Development Account	<input type="checkbox"/> Revised Annual Statement (revision no: 2) <input checked="" type="checkbox"/> Final Performance and Evaluation Report	Total Actual Cost ¹ Expended
Line		Original	Revised ²	Obligated
1	Total non-CFP Funds			
2	1406 Operations (may not exceed 20% of line 21) ³		83,554	83,554
3	1408 Management Improvements			
4	1410 Administration (may not exceed 10% of line 21)			
5	1411 Audit			
6	1415 Liquidated Damages			
7	1430 Fees and Costs			
8	1440 Site Acquisition			
9	1450 Site Improvement			
10	1460 Dwelling Structures		171,554	88,000
11	1465.1 Dwelling Equipment—Non-expendable			
12	1470 Non-dwelling Structures			
13	1475 Non-dwelling Equipment			
14	1485 Demolition			
15	1492.Moving to Work Demonstration			
16	1495.1 Relocation Costs			
17	1499 Development Activities ⁴			

¹ To be completed for the Performance and Evaluation Report.
² To be completed for the Performance and Evaluation Report or a Revised Annual Statement.
³ PHAs with under 250 units in management may use 100% of CFP Grants for operations.
⁴ RHF funds shall be included here.

Annual Statement/Performance and Evaluation Report
 Capital Fund Program, Capital Fund Program Replacement Housing Factor and
 Capital Fund Financing Program

U.S. Department of Housing and Urban Development
 Office of Public and Indian Housing
 OMB No. 2577-0226
 Expires 06/30/2017

Part I: Summary		FFY of Grant: 2017 FFY of Grant Approval:	
PHA Name: Pierce County Housing Authority	Grant Type and Number Capital Fund Program Grant No: WA19P054501-17 Replacement Housing Factor Grant No:		
Date of CFFP:			
Type of Grant		<input type="checkbox"/> Original Annual Statement <input type="checkbox"/> Reserve for Disasters/Emergencies <input type="checkbox"/> Performance and Evaluation Report for Period Ending:	
Summary by Development Account		<input type="checkbox"/> Revised Annual Statement (revision no. 2) <input checked="" type="checkbox"/> Final Performance and Evaluation Report	
Line		Total Estimated Cost	Total Actual Cost ¹
		Original	Obligated
18a	1501 Collateralization or Debt Service paid by the PHA		Expended
18ba	9000 Collateralization or Debt Service paid Via System of Direct Payment		
19	1502 Contingency (may not exceed 8% of line 20)		
20	Amount of Annual Grant: (sum of lines 2 - 19)	171,554	171,554
21	Amount of line 20 Related to LBP Activities		171,554
22	Amount of line 20 Related to Section 504 Activities		
23	Amount of line 20 Related to Security - Soft Costs		
24	Amount of line 20 Related to Security - Hard Costs		
25	Amount of line 20 Related to Energy Conservation Measures		
Signature of Executive Director		Signature of Public Housing Director	
Date		Date	

[Handwritten Signature]
 Date: 11/16/18

[Handwritten Signature]
 Digitally signed by HARLAN STEWART
 DN: cn = HARLAN STEWART, o = U.S. Government OUI = Department of Housing and Urban Development, Office of Administration
 Date: 2018.11.16 13:47:38-0500

¹ To be completed for the Performance and Evaluation Report.
² To be completed for the Performance and Evaluation Report or a Revised Annual Statement.
³ PHAs with under 250 units in management may use 100% of CFP Grants for operations.
⁴ RHF funds shall be included here.

Part II: Supporting Pages		Federal FFY of Grant: 2017						
PHA Name: Pierce County Housing Authority		Grant Type and Number Capital Fund Program Grant No: WA19P054501-17						
Development Number Name/PHA-Wide Activities		CFFP (Yes/No): Replacement Housing Factor Grant No:						
Development Number Name/PHA-Wide Activities	General Description of Major Work Categories	Development Account No.	Quantity	Total Estimated Cost		Total Actual Cost		Status of Work
				Original	Revised ¹	Funds Obligated ²	Funds Expended ²	
WA054 PHA-Wide	Operations	1406		0	83,554	83,554	83,554	Complete
WA054000001 AMP 1	Septic	1460	1	15,744	18,000	18,000	18,000	Complete
	Bathroom Remodel	1460	3	9,993	0			
	Doors	1460	3	9,077	0			
	Gutters	1460	3	6,046	0			
	Kitchen Remodel	1460	3	24,214	0			
	Roofs	1460	1	27,246	30,000	30,000	30,000	Complete
	Siding / Paint	1460	3	36,355	0			
	Modernization	1460	1	0	40,000	40,000	40,000	Complete
	Development Total			127,500	171,554	171,554	171,554	
WA054000002 AMP 2	Windows	1460	1	5,246	0			
	Bathroom Remodel	1460	1	3,331	0			
	Doors	1460	1	3,031	0			
	Gutters	1460	1	2,015	0			
	Kitchen Remodel	1460	1	8,074	0			
	Roofs	1460	1	9,077	0			
	Siding	1460	1	12,105	0			
	Development Total			42,879	0			
	Grand Total			171,554	171,554	171,554	171,554	

¹ To be completed for the Performance and Evaluation Report or a Revised Annual Statement.

² To be completed for the Performance and Evaluation Report.

Annual Statement/Performance and Evaluation Report
 Capital Fund Program, Capital Fund Program Replacement Housing Factor and
 Capital Fund Financing Program

U.S. Department of Housing and Urban Development
 Office of Public and Indian Housing
 OMB No. 2577-0226
 Expires 06/30/2017

Part III: Implementation Schedule for Capital Fund Financing Program						Federal FFY of Grant: 2017
Development Number Name/PHA-Wide Activities	All Fund Obligated (Quarter Ending Date)		All Funds Expended (Quarter Ending Date)		Reasons for Revised Target Dates ¹	
	Original Obligation End Date	Actual Obligation End Date	Original Expenditure End Date	Actual Expenditure End Date		
WA054000001 AMP 1	08/15/2019	07/16/2018	08/15/2021	11/13/2018		
WA054000002 AMP 2	08/15/2019	07/16/2018	08/15/2021	11/13/2018		

¹ Obligation and expenditure end dated can only be revised with HUD approval pursuant to Section 9j of the U.S. Housing Act of 1937, as amended.



**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER
UNIFORM GUIDANCE**

**Pierce County Housing Authority
January 1, 2019 through December 31, 2019**

This schedule presents the corrective action planned by the Pierce County Housing Authority (PCHA) for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<p>Finding ref number: 2019-001</p>	<p>Finding caption: The Housing Authority’s internal controls over accounting and financial reporting were inadequate to ensure accurate and timely reporting.</p>
<p>Name, address, and telephone of the PCHA contact person: James Stretz 603 Polk Street S. Tacoma, WA 98444 253-620-5406</p>	
<p>Corrective action the auditee plans to take in response to the finding: <i>Pierce County Housing Authority (PCHA) remains committed to ensuring that all necessary controls continue to be implemented to protect both PCHA’s and the public’s assets. PCHA has reviewed this report and agrees with all the recommendations presented by the State Auditor’s Office.</i> <i>Response to the State Auditor’s recommendations:</i> <i>The Authority continues to implement new protocols, processes, and policies with the assistance of a firm with the knowledge and understanding of public housing authorities, to ensure proper monitoring of financial transactions and bank statement activity, including:</i></p> <ul style="list-style-type: none"> • <i>Wire transfer capability is no longer allowed</i> • <i>Access to the accounting system is restricted by job duties and all data reviewed</i> • <i>Process for oversight and secondary review of financial statement preparation is implemented to ensure accurate and timely financial reporting</i> • <i>Training of staff continues in all phases of Public Housing accounting and proper controls</i> 	

<ul style="list-style-type: none"> • <i>Ongoing training of finance staff, executive staff and board members on GAP accounting and proper internal controls and oversight.</i> • <i>Re-staffing continues targeting professionals with finance and public service experience</i> • <i>A consolidated software specializing in public housing has been purchased and implementation has begun assuring timely and accurate information with proper controls</i> <p><i>PCHA recognizes its mission to serve and responsibility for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America.</i></p>
<p>Anticipated date to complete the corrective action: June 2021</p>

<p>Finding ref number: 2019-002</p>	<p>Finding caption: The Housing Authority did not have adequate controls in place to ensure compliance with federal program requirements regarding allowable costs and housing quality standards inspections</p>
<p>Name, address, and telephone of PCHA contact person: James Stretz 603 Polk Street S. Tacoma, WA 98444 253-620-5406</p>	
<p>Corrective action the auditee plans to take in response to the finding: <i>Pierce County Housing Authority (PCHA) remains committed to ensuring that all necessary procedures and records continue to be implemented to protect both PCHA's and the public's assets. PCHA has reviewed this report and agrees with all the recommendations presented by the State Auditor's Office.</i> <i>Response to the State Auditor's recommendations regarding allowable costs:</i> <i>The Authority was allocating costs under a plan instituted in 2016 but for the fiscal year did not keep adequate records recording compliance with the plan a new Plan was developed with the assistance of a CPA firm that has been instituted for the fiscal years 2020 and 2021.</i> <i>Response to the State Auditor's recommendations regarding housing quality standard inspections:</i> <i>The Authority was using a contract inspector and none of the inspections were more than 50 days overdue and within HUD guidelines and not more than 60 days late for HUD reporting purposes. A new Authority staff professional is currently being recruited and proper record tracking being instituted with our new software package.</i></p>	
<p>Anticipated date to complete the corrective action: April 30 2021 hiring and July 2021 Automated tracking</p>	

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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