



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Pierce County Housing Authority

For the period January 1, 2020 through December 31, 2020

Published March 31, 2022

Report No. 1030215



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

March 31, 2022

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, 2020 through December 31, 2020

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 reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no 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 no 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
14.871	COVID-19 – 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 \$959,956.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2020-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Pierce County Housing Authority January 1, 2020 through December 31, 2020

2020-001 The Housing Authority's internal controls over accounting and financial reporting were inadequate for ensuring 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 financial reporting is reliable.

The Housing Authority provides housing opportunities for eligible Pierce County residents. 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 \$37.3 million in 2020, which included \$29.4 million of housing assistance payments.

In the previous audit report dated June 22, 2021, we issued a finding listing significant deficiencies in the Housing Authority's accounting and financial reporting internal controls. When combined, the following deficiencies affected the Housing Authority's ability to ensure accurate and timely reporting:

- The Housing Authority relied on a consultant for preparing financial statements and reporting, and management did not provide adequate oversight and review.
- The Housing Authority had duplicate accounting systems, which made it more difficult for staff to identify and resolve variances in a timely manner.
- The Housing Authority's secondary review of the financial statements was inadequate for detecting and preventing errors before submitting the annual financial report for audit.

The Housing Authority has taken action to resolve the issue of duplicate accounting systems. However, it has not adequately resolved the remaining deficiencies we identified in the prior audit.

Government Auditing Standards requires the State Auditor's Office to communicate significant deficiencies as a finding. The Applicable Laws and Regulations section below defines the standards for significant deficiencies.

Description of Condition

In the current audit, we identified the following deficiencies in internal controls. When taken together, they represent a significant deficiency:

- In fiscal year 2020, the Housing Authority had not been able to hire a full-time Finance Director. As a result, the Housing Authority contracted with a consultant to act as an interim Finance Director and prepare its 2020 financial statements. The Housing Authority continues to rely on the consultant for preparing financial statements and reporting, and management does not provide adequate oversight and review.
- The Housing Authority's secondary review of the financial statements was inadequate for detecting and preventing errors before submitting the annual financial report for audit.

Cause of Condition

The Housing Authority has not established an effective process to oversee financial activity reporting or to perform a secondary review of financial statements.

Effect of Condition

Our audit found financial statement errors and omissions, including misstatements and inaccurate presentation of financial statements and supplementary schedules. However, our audit did not find material errors. The Housing Authority corrected most of the errors identified during the audit.

Recommendation

We recommend the Housing Authority continue to strengthen internal controls over its financial systems and process for preparing the financial statements. These controls should include:

- Providing adequate oversight of financial reporting and performing a secondary review of financial statements
- Providing employees with the training and information they need to perform their duties effectively. This includes training employees on how

to conduct a meaningful review of financial information and establishing a proper cutoff for preparing and recording journal entries.

- Producing adequate documentation to support financial statement balances

Housing Authority's Response

The Authority agrees with the finding and intends to correct the condition by intensifying our efforts to bring the financial skills in-house, hire a local CPA firm familiar with Washington state and Public Housing Authorities, require a minimum number of training hours for the finance staff, and use the tools made available through the SAO to minimize errors in financial reports.

Auditor's Remarks

We appreciate the Housing Authority's commitment to resolve 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.

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Pierce County Housing Authority January 1, 2020 through December 31, 2020

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

Audit Period: January 1, 2020 through December 31, 2020	Report Ref. No.: 1028112
Finding Caption: The Housing Authority's internal controls over accounting and financial reporting were inadequate to ensure accurate and timely reporting.	
Background: a) The Housing Authority relied on a consultant for financial statement preparation and reporting, without adequate oversight and review. b) Staff members did not use the accounting system to perform bank reconciliations, instead using an off-the-shelf software to reconcile cash and investments. These duplicate systems made it more difficult to identify and resolve variances in a timely manner. c) 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.	
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: a) <i>Financial statement preparation and reporting continue to be performed by a consultant that is nationally recognized as an expert in Public Housing Authorities. Beginning 1-5-21 the monthly reports are presently reviewed by the new PCHA ED who has a financial background. In 2020 the Board of Commissioners formed a Finance Committee that meet before each Board meeting to review financials. The Authority continues to search for an experienced Controller.</i> b) <i>Staff attempted to use accounting system software with little success and continues to use the off-the shelf-software together with electronically documented, manually prepared reconciliations, separating cash management from reconciliation. The process is reviewed and checked for accuracy by the acting CFO. We believe that with the assistance of an outside CPA firm in compiling and filing financial reports has minimized these issues.</i>	

Audit Period: January 1, 2020 through December 31, 2020	Report Reference No.: 1028112	Finding Ref. No.: 2019-002	CFDA Number(s): 14.871
Federal Program Name and Granting Agency: Section 8 Housing Choice Vouchers, 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: <ul style="list-style-type: none"> a) 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. b) The Housing Authority was unable to account for program activity and track administrative fees. c) The Housing Authority did not have controls in place to monitor and ensure that an external contractor hired to perform housing inspections, was performing those inspections on a timely basis. 			
Status of Corrective Action: (check one)			
<input checked="" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
Corrective Action Taken: <ul style="list-style-type: none"> a) <i>PCHA hired a third party to prepare, with supporting documentation, a cost allocation plan for the years '20 and '21. It has been implemented and tracked monthly for compliance</i> b) <i>Processes and procedures are in place to account for program activity and to track proper and correct administrative fees.</i> c) <i>The Authority has brought the housing inspection function in-house after March 2020. From January through March tracked and documented activity. HUD waived the inspection requirement for the duration of 2020.inspection requirement for the duration of 2020.</i> 			

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, 2020 through December 31, 2020

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, 2020, 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 24, 2022.

As discussed in Note 15 to the 2020 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 of 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 2020-001 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

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

Pat McCarthy, State Auditor

Olympia, WA

March 24, 2022

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, 2020 through December 31, 2020

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, 2020. 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, 2020.

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.

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

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

in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 initial "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

March 24, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Pierce County Housing Authority January 1, 2020 through December 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 23.

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, 2020, 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 15 to the 2020 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 23 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 is 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 24, 2022 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.



Pat McCarthy, State Auditor

Olympia, WA

March 24, 2022

FINANCIAL SECTION

Pierce County Housing Authority January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Revenues, Expenses and Changes in Net Position – 2020

Statement of Cash Flows – 2020

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2020

Schedule of Changes in Total OPEB Liability and Related Ratios – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

Financial Data Schedule – 2020

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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 for the year ended December 31, 2020. The Pierce County Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2020 relative to fiscal year ended 2019, to assist the reader in focusing on and understanding significant financial issues.

The primary focus of the Authority’s financial statements is its single enterprise fund encompassing all programs and blended component units administered by the Pierce County Housing Authority. Like all operating entities, the COVID-19 Pandemic had a significant positive and negative effects on Authority’s financial results. The information contained in the MD&A should be considered in conjunction with the Authority’s financial statements and related notes to same.

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, 2020, 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, 2020.

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Program Information

Assisted Housing Programs

Low Income Public Housing: The Authority owns and operates 125 single family, scattered site 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 capital fund program is the primary funding source for physical improvements to the Authority's properties.

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

Section 8 Housing Choice Vouchers: The Authority administers a program of rental assistance payments to private and public owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The assistance provides payments covering the difference between the maximum rental as approved by HUD on a dwelling unit, and the amount of rent contribution by a participating family based on the families documented income. The objective of the program is to empower the tenant with making the choice of where they want to live and assisting them in obtaining affordable housing. The Authority currently administers approximately 2,810 vouchers among the various Section 8 Programs include Housing Choice Voucher, Homeownership, Non-Elderly Disabled (NED), and Veterans Affairs Supportive Housing (VASH) programs.

Rural Development Program: The Rural Development Housing Program is a 20-unit community constructed from low- cost 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 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-Assisted/Business Activities Programs: The Authority owns and manages several additional apartment communities throughout Pierce County. Three of larger communities 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 with little public financial support, beyond project-based vouchers representing a small percentage of the units.

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Financial Highlights

- The Pierce County Housing Authority's net position increased from \$5,504,855 to \$9,653,922, an increase of \$4,149,067 or 75%. Total assets also increased by \$4,827,768 or 18%.
- Total program revenue increased from \$35,842,289 to \$39,595,932, an increase of \$3,753,643 or 10%.
- Total expenses increased by \$2,665,625 or 7%, from \$35,812,695 to \$38,478,320 for the current year.
- The Authority recognized a Special Item in the amount of \$2,931,349 that represents restitution collected during the current fiscal year.

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, 2020, and December 31, 2019.

*Summary Statement of Net Position
As of December 31, 2020 and 2019*

Category	12/31/2020	12/31/2019	Change \$	Change %
Current Assets	\$ 9,785,647	\$ 3,570,858	\$ 6,214,789	174%
Non Current Assets:				
Capital Assets	\$ 20,988,541	\$ 22,366,558	\$ (1,378,017)	-6%
Other Non-Current Assets	\$ 1,096,758	\$ 1,105,762	\$ (9,004)	-1%
Total Assets	\$ 31,870,946	\$ 27,043,178	\$ 4,827,768	18%
Deferred Outflow of Resources	\$ 225,424	\$ 195,513	\$ 29,911	15%
Current Liabilities	\$ 3,192,988	\$ 1,938,095	\$ 1,254,893	65%
Non Current Liabilities	\$ 19,045,048	\$ 19,292,792	\$ (247,744)	-1%
Total Liabilities	\$ 22,238,036	\$ 21,230,887	\$ 1,007,149	5%
Deferred Inflow of Resources	\$ 312,064	\$ 502,949	\$ (190,885)	-38%
Unrestricted	\$ 5,243,155	\$ 440,588	\$ 4,802,567	1090%
Restricted	\$ 470,071	\$ 175,120	\$ 294,951	
Net Investment in Capital Assets	\$ 3,833,044	\$ 4,889,147	\$ (1,056,103)	-22%
Total Net Position	\$ 9,546,270	\$ 5,504,855	\$ 4,041,415	73%

Current Assets

Current assets increased by \$6,214,789 during the current year. Unrestricted cash and investments increased by \$4,856,218. The majority of the increase was due to the collection of fraudulent funds

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

collected in the current year and reported as a special item. In addition, the HCV has reported \$892,589 in cash restricted for payment of current liabilities due to CARES Act funding received but not yet expensed.

Noncurrent Assets

Noncurrent assets decreased from \$23,472,320 to \$22,085,299 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 \$1,254,893 from the previous year. This is primarily due to an increase in unearned revenue related to HCV CARES Act funds received but not yet earned. Other increases include other current liabilities in the amount of \$247,808 and accounts payable in the amount of \$216,114.

Noncurrent Liabilities

Noncurrent liabilities decreased from a 2019 balance of \$19,292,792 to a 2020 balance of \$19,045,048, a net decrease of \$247,744. Notable variances from the previous year included the following items;

- The noncurrent portion of the capital debt decreased by \$327,309.
- The pension/OPEB liability increased from a 2019 balance of \$2,000,670 to a 2020 balance of \$2,197,849.

Net Position

The net position of the Authority increased by \$4,041,415, or 73%, from the previous fiscal year. This was primarily related to the special item charge in the amount of \$2,931,349 related to recovery and partial restitution from the former, convicted CFO and the reduction of expenses of \$1.1 million exclusive of Housing Assistance Payments covered by government grants. Of the total net position, unrestricted net position increased by \$4,802,567 and restricted net position increased by \$294,951.

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019**

<u>Category</u>	12/31/2020	12/31/2019	Change \$	Change %
Program Revenues:				
Tenant Revenue	\$ 6,925,554	\$ 6,992,099	\$ (66,545)	-1%
Government Operating Grants	\$ 31,575,769	\$ 28,327,531	\$ 3,248,238	11%
Capital Grants	\$ -	\$ 69,937	\$ (69,937)	-100%
Other Revenue	\$ 1,094,609	\$ 452,722	\$ 641,887	142%
Total Revenue	\$ 39,595,932	\$ 35,842,289	\$ 3,753,643	10%
Expenses:				
Administration	\$ 2,796,727	\$ 2,930,954	\$ (134,227)	-5%
Tenant Services	\$ 104,954	\$ 141,947	\$ (36,993)	-26%
Utilities	\$ 860,747	\$ 845,835	\$ 14,912	2%
Ordinary Maintenance	\$ 1,723,512	\$ 2,351,350	\$ (627,838)	-27%
General/Insurance Expense	\$ 978,837	\$ 892,273	\$ 86,564	10%
Nonroutine Maintenance	\$ -	\$ 97,271	\$ (97,271)	-100%
Depreciation	\$ 1,593,723	\$ 1,562,450	\$ 31,273	2%
Housing Assistance Payments	\$ 29,438,819	\$ 25,992,155	\$ 3,446,664	13%
Interest Expense	\$ 981,001	\$ 998,460	\$ (17,459)	-2%
Total Expenses	\$ 38,478,320	\$ 35,812,695	\$ 2,665,625	7%
Nonoperating Revenues:				
Interest Income	\$ 2,392	\$ 5,252	\$ (2,860)	-54%
Gain or Loss on Disposition of Capital Assets	\$ (9,938)	\$ 125,886	\$ (135,824)	-108%
Total Nonoperating Revenues	\$ (7,546)	\$ 131,138	\$ (138,684)	-106%
Excess (Deficiency) Before Special Items	\$ 1,110,066	\$ 160,732	\$ 949,334	591%
Special Item/Casualty Losses	\$ 2,931,349	\$ (3,310,760)	\$ 6,242,109	-189%
Change in Net Position	\$ 4,041,415	\$ (3,150,028)	\$ 7,191,443	-228%
Net Position, Beginning of Year	\$ 5,504,855	\$ 8,930,917	\$ (3,426,062)	-38%
Prior Period Adjustment	\$ -	\$ (276,034)	\$ 276,034	-100%
Net Position, End of Year	\$ 9,546,270	\$ 5,504,855	\$ 4,041,415	73%

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Results of Operations

Program revenues of the Authority are generated principally from dwelling rents and HUD grants. The Authority’s program revenue increased by \$3,753,643 or 10% compared to the previous fiscal year. Significant changes in revenue accounts consist of the following items:

- Government operating grants increased by \$3,248,238 due in part to Cares Act Grants.
- Capital grants decreased by \$69,937 due to a decrease in capital activity funded through the Capital Grant Program
- Other revenue increased from \$452,722 in 2019 to \$1,094,609 in 2020. Revenues related to port in activity of the HCV program increased by \$951,637.

Total expenses increased by \$2,665,625. Significant variances between the years include the following:

- Administration decreased by \$134,227 or 5%.
- Maintenance costs decreased by \$627,838 or 27% from the prior year. The following provided below gives an analysis of cost categories associated with the decrease:
 - Labor and benefits decreased by \$100,450;
 - Materials decreased by \$122,550; and
 - Maintenance contracts decreased by \$404,838.
- General/insurance expenses increased by \$86,565 due primarily to higher insurance costs in the amount of \$177,673. In contrast, other general expenses decreased by \$50,798, compensated absences decreased by \$21,862 and bad debt expenses decreased by \$23,052.
- Housing assistance payments increased by \$3,446,664, or 13%. This was due to a combination of increased units leased as well as higher per unit HAP costs. Unit months leased increased by 361 while average HAP costs increased from \$825 to \$895.

Capital Assets

As of December 31, 2020, the Authority’s net investment in capital assets was \$3,833,044. This investment includes land, building improvements, equipment, and construction in progress, net of accumulated depreciation and related debt.

<u>Category</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 5,270,117	\$ 5,270,117	\$ -	0%
Buildings	\$ 36,062,789	\$ 36,062,789	\$ -	0%
Equipment	\$ 3,866,538	\$ 3,836,714	\$ 29,824	1%
Construction in Progress	\$ 29,673	\$ -	\$ 29,673	N/A
Accumulated Depreciation	\$ (24,240,576)	\$ (22,803,062)	\$ (1,437,514)	6%
Total Net Fixed Assets	\$ 20,988,541	\$ 22,366,558	\$ (1,378,017)	-6%

**PIERCE COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

The increase in equipment and construction is due to office reconfiguration and data processing upgrades funded by Cares Act spending in the HCV program.

Additional information on the Authority's capital assets can be found on Note #6 – CAPITAL ASSETS, starting on page 19.

Long-Term Debt Activity

There are various debt requirements related to projects and programs of the agency. Debt was reduced by \$321,913. There was no additional debt incurred during the year.

Additional information on the Authority's long-term debt can be found in Note #8 NONCURRENT LIABILITIES starting on page 20.

Subsequent Event

HUD has renewed the Housing Choice Voucher Program and estimated the funding levels for the 2021 calendar at \$30,713,000. The operating subsidy for the Low Rent Housing Program is estimated to be funded at \$317,403.

The estimated amount of funding for the 2021 calendar year for the Housing Choice Voucher Program will include the proration of administrative fees at 82% and HAP funding at 100% with an inflation factor of 4.5%

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: Jim Stretz, Executive Director
Tacoma, Washington

**PIERCE COUNTY HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

ASSETS

Current Assets:

Cash and Cash Equivalents:	
Unrestricted	\$ 6,873,798
Restricted	2,495,958
Accounts Receivable (Net of Allowance)	144,610
Prepaid Items	259,885
Inventory	11,396
Total Current Assets	<u>9,785,647</u>

Noncurrent Assets:

Capital Assets:	
Land & Construction in Progress	5,299,790
Other Capital Assets, Net of Depreciation	15,688,751
Total Capital Assets	<u>20,988,541</u>
Other Non-Current Assets	
Notes, Loans, and Mortgages Receivable	1,096,758
Total Other Non-Current Assets	<u>1,096,758</u>
Total Noncurrent Assets	<u>22,085,299</u>

Total Assets	<u>31,870,946</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions & OPEB	225,424
Total Deferred Outflows of Resources	<u>225,424</u>

See accompanying notes to the financial statements.

**PIERCE COUNTY HOUSING AUTHORITY
STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2020**

LIABILITIES

Current Liabilities:

Accounts Payable	863,070
Wages/Payroll Payable	48,782
Deferred Revenue	1,005,328
Accrued Employee Leave (current)	120,750
Interest Payable	78,741
Tenant Security Deposits	283,811
Bonds and Notes Payable (current)	327,439
Other	465,067

Total Current Liabilities 3,192,988

Noncurrent Liabilities:

Accrued Employee Leave (net of current)	17,801
Bonds and Notes Payable (net of current)	16,828,059
Net Pension Liability	683,782
Total OPEB Liability	1,514,067
Other	1,339

Total Noncurrent Liabilities 19,045,048

Total Liabilities 22,238,036

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions & OPEB	312,064
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Total Deferred Inflows of Resources 312,064

NET POSITION

Net Investment in Capital Assets	3,833,044
Restricted for:	
Housing Assistance Payments	114,650
Other	355,421
Unrestricted	5,243,155

Total Net Position \$ 9,546,270

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, 2020**

OPERATING REVENUES

Tenant Revenue	\$ 6,925,554
Operating Grants	31,575,769
Other Revenue	1,094,609
Total Operating Revenues	<u>39,595,932</u>

OPERATING EXPENSES

Administrative	2,796,727
Tenant Services	104,954
Utilities	860,747
Maintenance	1,723,512
Insurance/General	978,837
Housing Assistance Payments	29,438,819
Depreciation	1,593,723
Total Operating Expenses	<u>37,497,319</u>

<i>Net Operating Income (Loss)</i>	<u>2,098,613</u>
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NONOPERATING REVENUES (EXPENSES)

Interest Income	2,392
Interest Expense	(981,001)
Gain or Loss on Disposition of Capital Assets	(9,938)
Net Nonoperating Revenues (Expenses)	<u>(988,547)</u>

<i>NET INCOME (LOSS) BEFORE SPECIAL ITEMS</i>	1,110,066
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Special Item	<u>2,931,349</u>
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<i>CHANGE IN NET POSITION</i>	4,041,415
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<i>NET POSITION-BEGINNING OF YEAR</i>	5,504,855
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<i>NET POSITION-END OF YEAR</i>	<u><u>\$ 9,546,270</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, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Grantor	\$ 32,532,944
Cash Received from Tenants	6,981,097
Cash Received from Misc. Sources	1,086,988
Cash Payments to Employees	(1,342,738)
Cash Payments to Vendors	(5,583,415)
Cash Payments for Rental Assistance	(29,030,246)
Net Cash Provided in Operating Activities	<u>4,644,630</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Received	2,392
Net Cash Received on Mortgages Receivable	9,004
Redemption/(Purchase) of Investments	105,565
Net Cash Provided by Investing Activities	<u>116,961</u>

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Interest Paid on Long Term Debt	(982,394)
Principal Reduction on Long Term Debt	(321,914)
Property and Equipment Purchased	(225,645)
Net Cash Used in Financing Activities	<u>(1,529,953)</u>

CASH FLOWS FROM NON-CASH INVESTING, CAPITAL, OR FINANCE ACTIVITIES:

Special Item	2,931,349
Net Cash Provided by Non-Cash Activities	<u>2,931,349</u>
Net Increase in Cash	6,162,987
Cash and Cash Equivalents-Beginning of Year	3,206,769
Cash and Cash Equivalents-End of Year	<u>9,369,756</u>
Reconciliation to Cash Accounts:	
Cash Equivalents-Unrestricted	6,873,798
Cash Equivalents-Restricted	2,495,958
Total Cash Equivalents	<u>\$ 9,369,756</u>

See accompanying notes to the financial statements.

**PIERCE COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Net Operating Income	\$ 2,098,613
Adjustments to Reconcile Net Income to Net Cash Provided in Operating Activities:	
Depreciation	1,593,723
Decrease in Accounts Receivable (Operations)	60,798
Increase in Prepaid Expenses	(218,164)
Increase in Accounts Payable	61,044
Decrease in Wages/Compensated Absences	(1,993)
Increase in Tenant Security Deposits	37,954
Increase in Unearned Revenue	897,415
Increase in Other current Liabilities	247,808
Decrease in Other Noncurrent Liabilities	(108,950)
Decrease in Deferred Inflows	(190,885)
Decrease in Pension Liability	(163,913)
Increase in OPEB Liability	361,091
Increase in Deferred Outflows	(29,911)
Net Cash Provided in Operating Activities	<u>\$ 4,644,630</u>

See accompanying notes to the financial statements.

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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 entity's 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, 2020**

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, 2020**

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 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, 2020**

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. There is no allowance for obsolete inventory.

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
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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

For purposes of measuring the net pension liability, 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
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NOTE 3: CASH AND INVESTMENTS

The Housing Authority’s policies regarding cash and investment balances are discussed in Note C-1. The composition of the Housing Authority’s cash, cash equivalents and investments on December 31, 2020, was as follows:

<i>Item</i>	<i>Balance</i>
Cash on hand, deposits in banks, savings deposits	\$9,369,756
Investments	-----
Total	\$9,369,756

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 \$9,369,756 were secured through federal depository insurance or collateralized securities at December 31, 2020. The Housing Authority had no custodial credit risk for its investments as of December 31, 2020.

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. The Authority does not have a policy that addresses credit risk.

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.

The Housing Authority had no custodial credit risk for its investments as of December 31, 2020.

Investments

The Authority’s investment policy authorizes investments that meets objectives such as security, liquidity, and return on investment, while conforming to all Federal, State, and local statutes. It is the Authority’s policy to invest only in instruments permitted by the U.S. Department of Housing and Urban Development

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The Authority has no investment balances as of December 31, 2020.

PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable balance consists of the following items as of December 31, 2020. All receivables are considered collectible.

<u>Accounts Receivable Item</u>	<u>Amount</u>
Tenants	\$ 197,551
Other	28,624
Allowance for Doubtful Accounts	(81,565)
Total	\$ 144,610

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 2021 are classified as current assets.

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 is reported in the following table.

	<u>Balance at 1/1/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjust.</u>	<u>Balance at 12/31/2020</u>
Capital assets not being depreciated					
Construction in Progress	\$ -	\$ 29,673	\$ -	\$ -	\$ 29,673
Land	5,270,117	-	-	-	5,270,117
Total capital assets not being depreciated	<u>5,270,117</u>	<u>29,673</u>	<u>-</u>	<u>-</u>	<u>5,299,790</u>
Capital assets being depreciated					
Buildings and Improvements	36,062,788	-	-	-	36,062,788
Intangible Assets	89,224	-	-	-	89,224
Furniture and Equipment	3,747,490	200,936	171,111	-	3,777,315
Total capital assets, being depreciated	<u>\$ 39,899,502</u>	<u>\$ 200,936</u>	<u>\$ 171,111</u>	<u>\$ -</u>	<u>\$ 39,929,327</u>
Less Accumulated depreciation for:					
Buildings and Improvements	\$ 19,749,673	\$ 1,320,310	\$ -	\$ (2,104)	\$ 21,067,879
Furniture and Equipment	3,053,389	275,710	156,371	(31)	3,172,697
Total Accumulated Depreciation	<u>22,803,062</u>	<u>1,596,020</u>	<u>156,371</u>	<u>(2,135)</u>	<u>24,240,576</u>
Total capital assets, being depreciated, net	<u>\$ 17,096,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,135</u>	<u>\$ 15,688,751</u>
Net Capital Assets	<u>\$ 22,366,557</u>	<u>\$ 29,673</u>	<u>\$ -</u>	<u>\$ 2,135</u>	<u>\$ 20,988,541</u>

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NOTE 7: ACCRUED LEAVE

As of December 31, 2020, the Accrued Leave balance was \$138,551. Of this amount, \$120,750 was classified as current, with the remaining portion of \$17,801 classified as noncurrent.

Balance as of 1/1/2020	Increases	Decreases	Balance as of 12/31/2020	Due within 1 Year
\$ 144,046	\$ 168,326	\$ 173,821	\$ 138,551	\$ 120,750

NOTE 8: NONCURRENT LIABILITIES

Changes in noncurrent debt for the year ended December 31, 2020 are as follows:

Program/Component Unit	Balance as of Jan. 1, 2020	Additions	Retirements	Balance as of Dec. 31, 2020	Due Within 1 Year	Maturity	Interest Rate
Chateau Rainier FNMA Loan	\$ 9,665,153	\$ -	\$ 168,045	\$ 9,497,108	\$ 173,242	Year 2046	5.66%
Demark FNMA Loan	3,064,561	-	53,283	3,011,278	54,931	Year 2046	5.66%
Lakewood Village FNMA Loan	4,259,946	-	74,066	4,185,880	76,357	Year 2046	5.66%
Montgrove Manor Project - SHB 2060	65,000	-	-	65,000	-	Year 2041	0.00%
Rural Development Loan	422,751		26,519	396,232	22,909	Year 2030	1.00%
Compensated Absences	144,046	168,326	173,821	138,551	120,750		
Net Pension Liability	847,694		163,912	683,782			
Total OPEB Liability	1,152,976	361,091		1,514,067			
Other Liabilities	110,290		108,951	1,339			
Total	\$ 19,732,417	\$ 529,417	\$ 768,597	\$ 19,493,237	\$ 448,188		

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Direct Borrowing

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 Due	Interest Due	Total Payments
FY 2021	173,242	537,536	710,778
FY 2022	183,047	527,731	710,778
FY 2023	193,408	517,370	710,778
FY 2024	204,355	506,423	710,778
FY 2025	215,921	494,857	710,778
FY 2026-2030	1,277,357	2,276,533	3,553,890
FY 2031-2035	1,682,152	1,871,738	3,553,890
FY 2036-2040	2,215,227	1,338,663	3,553,890
FY 2041-2045	2,917,234	636,656	3,553,890
FY 2046	435,166	24,630	459,796
Total	\$ 9,497,108	\$ 8,732,138	\$18,229,246

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 2021	54,931	170,438	225,369
FY 2022	58,040	167,329	225,369
FY 2023	61,325	164,044	225,369
FY 2024	64,796	160,573	225,369
FY 2025	68,463	156,906	225,369
FY 2026-2030	405,018	721,827	1,126,845
FY 2031-2035	533,369	593,476	1,126,845
FY 2036-2040	702,394	424,451	1,126,845
FY 2041-2045	924,983	201,862	1,126,845
FY 2046	137,960	7,809	145,769
Total	\$ 3,011,278	\$ 2,768,715	\$ 5,779,994

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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 2021	76,357	236,921	313,278
FY 2022	80,679	232,599	313,278
FY 2023	85,245	228,033	313,278
FY 2024	90,070	223,208	313,278
FY 2025	95,168	218,110	313,278
FY 2026-2030	563,002	1,003,388	1,566,390
FY 2031-2035	741,417	824,973	1,566,390
FY 2036-2040	976,373	590,017	1,566,390
FY 2041-2045	1,285,786	280,604	1,566,390
FY 2046	191,781	10,855	202,636
Total	\$ 4,185,880	\$ 3,848,706	\$ 8,034,586

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 2021	22,909	3,962	26,871
FY 2022	23,138	3,733	26,871
FY 2023	23,369	3,502	26,871
FY 2024	23,603	3,268	26,871
FY 2025	23,839	3,032	26,871
FY 2026-2030	122,818	11,537	134,355
FY 2031-2035	156,557	5,272	161,829
Total	\$ 396,232	\$ 34,306	\$ 430,539

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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9: NET PENSION LIABILITY

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$683,782
Pension assets	-----
Deferred outflows of resources	\$225,425
Deferred inflows of resources	\$312,064
Pension expense/expenditures	\$(114,265)

State Sponsored Pension Plans

Substantially all 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:

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.

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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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

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

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.

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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 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2020		
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%
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

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

The Authority’s actual PERS plan contributions were \$97,998 to PERS Plan 1 and \$161,287 to PERS Plan 2/3 for the year ended December 31, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2019 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, 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

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- **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 developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. 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 its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2019 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2019 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

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 was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 (CMA's) and simulated expected

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investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

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, 2020, 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 Authority's proportionate share* of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$583,023	\$465,466	\$362,945
PERS 2/3	\$1,358,418	\$218,316	\$(720,559)

* 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, 2020, the Authority reported a total pension liability of \$683,782 for its proportionate share of the net pension liabilities as follows:

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	Liability (or Asset)
PERS 1	\$465,466
PERS 2/3	\$218,316
Total	\$683,782

At June 30, the Authority’s proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.016619%	0.013184%	.003435%
PERS 2/3	0.021479%	0.017070%	.004409%

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*.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$(118,147)
PERS 2/3	\$ 3,883
TOTAL	\$(114,265)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	\$ -----	\$2,592
Changes of assumptions	\$ -----	\$ -----
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -----	\$ -----
Contributions subsequent to the measurement date	\$52,005	\$ -----
TOTAL	\$52,005	\$2,592

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$78,154	\$27,360
Net difference between projected and actual investment earnings on pension plan investments	\$ ----	\$11,087
Changes of assumptions	\$ 3,109	\$149,129
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 6,589	\$121,896
Contributions subsequent to the measurement date	\$85,568	\$ ----
TOTAL	\$173,420	\$309,472

Total of Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$78,154	\$27,360
Net difference between projected and actual investment earnings on pension plan investments	\$ ----	\$13,679
Changes of assumptions	\$ 3,109	\$149,129
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 6,589	\$ 121,896
Contributions subsequent to the measurement date	\$137,573	\$ ----
TOTAL	\$225,425	\$312,064

Deferred outflows of resources related to pensions resulting from the 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, 2021. 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
2021	\$(11,760)
2022	(370)
2023	3,588
2024	5,950
2025	----
Thereafter	----
Total	\$(2,592)

**PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Year ended December 31:	PERS 2/3
2021	\$(110,531)
2022	(41,597)
2023	(16,063)
2024	22
2025	(23,968)
Thereafter	(29,483)
Total	\$(221,620)

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Authority participates in a single 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.

**PIERCE COUNTY HOUSING AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

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:

Inactive employees or beneficiaries currently receiving benefits	1
Active Employees	35
Total	36

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 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 \$363,957. The Net OPEB Liability of \$1,514,067 is included as a noncurrent liability on the Statement of Net Position.

**PIERCE COUNTY HOUSING AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

Actuarial Methods and Assumptions

The Authority's net OPEB liability was measured as of June 30, 2020

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, 2019 Actuarial Valuation Report (AVR)*.

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 2019 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.2019.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	3.50%
End of Measurement Year	2.21%
Based Mortality Table	Healthy RP-2000
Age Setback	1 year
Mortality Improvements	100% Scale BB
Projected Salary Changes	3.5% + Service-Based increases
Healthcare Trend Rates	Initial rate is approximately 7%, trending down to about 5% in 2020
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

PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

the lessor 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.

	Sensitivity Analysis		
	1% Decrease	Current Rate	1% Increase
Discount Rate	\$1,899,925	\$1,514,067	\$1,218,403
Healthcare Trend	\$1,164,838	\$1,514,067	\$1,993,400

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, 2020.

	<i>Condensed Statements of Net Position</i>		
	Chateau Rainier Apartments, LLC	DeMark Apartments, LLC	Lakewood Village Apartments, LLC
Current Assets	1,195,560	4,296	715,689
Capital Assets	4,798,418	1,660,793	4,578,161
Total Assets	5,993,978	1,665,089	5,293,850
Deferred Outflows of Resources	-	-	-
Current Liabilities	359,666	140,272	186,436
Long-Term Liabilities	9,319,300	2,954,900	4,107,564
Total Liabilities	9,678,966	3,095,172	4,294,000
Deferred Inflows of Resources	-	-	-
Net Investment in Capital Assets	(4,698,689)	(1,350,485)	392,282
Restricted Net Position	165,962	47,474	69,514
Unrestricted Net Position	847,739	(127,073)	538,054
Total Net Position	\$ (3,684,988)	\$ (1,430,084)	\$ 999,850

PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

***Condensed Statement of Revenues, Expenses and
Changes in Net Position***

	Chateau Rainier Apartments, LLC	DeMark Apartments, LLC	Lakewood Village Apartments, LLC
Operating Revenue	2,530,694	898,063	1,475,606
Operating Expenses	1,907,721	762,489	1,015,916
Depreciation Expense	379,990	149,681	337,007
Operating income (Loss)	242,983	(14,107)	122,683
Nonoperating revenues (Expenses)	(3,380)	(3,238)	(2,583)
Change in Net Position	239,603	(17,345)	120,100
Beginning Net Position	(3,924,591)	(1,412,739)	879,750
Ending Net Position	\$ (3,684,988)	\$ (1,430,084)	\$ 999,850

Condensed Statement of Cash Flows

	Chateau Rainier Apartments, LLC	DeMark Apartments, LLC	Lakewood Village Apartments, LLC
Cash Flows from Operations	\$ 824,381	\$ (158,667)	\$ 510,906
Net Increase (Decrease)	824,381	(158,667)	510,906
Beginning Cash Balance	346,329	135,269	168,722
Ending Cash Balance	\$ 1,170,710	\$ (23,398)	\$ 679,628

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 special item represents the amount of restitution collected in the current fiscal year.

PIERCE COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13: 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 80% 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 14: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Agency maintains comprehensive insurance coverage with private carriers for vehicles, earthquake, and employee major medical and dental. Workman's compensation insurance is provided through the Washington State Department of Labor and Industries.

Coverage for property, general liability, errors and omissions, and fidelity insurance is provided by the Housing Authorities Risk Retention Pool ("HARRP"). The Authority has elected to pay for its unemployment insurance coverage through quarterly reimbursements to the Washington State Employment Security Department as provided for by RCW 50.44.060. This reimbursement method is in lieu of paying unemployment taxes.

The Authority is a member of the HARRP. Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. HARRP was created in March 1987 for the purposes of providing insurance and risk management services for housing authorities in the states of Washington, Nevada, Oregon and California.

The Authority has obtained the following coverages from HARRP: General liability coverage is written on an occurrence form basis with a limit of \$2,000,000 per occurrence, to a total of \$5,000,000 without any deductible. Errors and omissions coverage, including employment practices liability, is written on a claims made basis with a limit of \$2,000,000 per occurrence. The Authority is responsible for 10% of any incurred loss. Property loss coverage is on a replacement cost basis with a deductible of \$2,500 per occurrence. Fidelity coverage with a limit of \$1,000,000 for employee dishonesty and forgery or alteration and theft, with a deductible of \$1,000 per occurrence.

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 29, 2021, 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.

**PIERCE COUNTY HOUSING AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2020 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS**

PERS PLAN 1

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Authority's proportion of the net pension liability	0.013184%	0.016619%	0.016652%	0.017061%	0.017223%	0.016029%	N/A	N/A	N/A	N/A
Authority's proportionate share of the net pension liability	\$465,466	\$639,060	\$743,684	\$809,558	\$924,956	\$838,466	N/A	N/A	N/A	N/A
Authority's covered payroll	\$2,010,369	\$2,120,023	\$2,263,789	\$2,285,200	\$2,243,004	\$2,049,548	N/A	N/A	N/A	N/A
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	23.15%	30.14%	32.85%	35.43%	41.24%	40.91%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	N/A	N/A	N/A	N/A

PERS PLAN 2/3

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Authority's proportion of the net pension liability	0.017070%	0.021479%	0.021202%	0.021945%	0.022060%	0.020716%	N/A	N/A	N/A	N/A
Authority's proportionate share of the net pension liability	\$218,316	\$208,634	\$362,005	\$762,484	\$1,108,992	\$740,194	N/A	N/A	N/A	N/A
Authority's covered payroll	\$2,010,369	\$2,120,023	\$2,263,789	\$2,285,200	\$2,243,004	\$2,049,548	N/A	N/A	N/A	N/A
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	10.86%	9.84%	15.99%	33.37%	49.44%	36.11%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability (Traditional)	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	N/A	N/A	N/A	N/A

**PIERCE COUNTY HOUSING AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
FOR THE PERIOD ENDED DECEMBER 31, 2020
LAST 10 FISCAL YEARS**

PERS PLAN 1

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$97,998	\$100,098	\$122,324	\$95,994	\$111,537	\$87,763	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contributions	\$(97,998)	\$(100,098)	\$(122,324)	\$(95,994)	\$(111,537)	\$(87,763)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ ----	\$ ----	\$ ----	\$ ----	\$ ----	\$ ----	N/A	N/A	N/A	N/A
Authority's covered payroll	\$1,999,207	\$2,120,023	\$2,263,789	\$2,285,200	\$2,243,004	\$2,049,548	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	4.87%	4.72%	5.4%	4.20%	4.97%	4.28%	N/A	N/A	N/A	N/A

PERS PLAN 2/3

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$161,287	\$154,049	\$181,388	\$133,064	\$ 145,676	\$112,210	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contributions	\$(161,287)	\$(154,049)	\$(181,388)	\$(133,064)	\$(145,676)	\$(112,210)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ ----	\$ ----	\$ ----	\$ ----	\$ ----	\$ ----	N/A	N/A	N/A	N/A
Authority's covered payroll	\$1,999,207	\$2,120,023	\$2,263,789	\$2,285,200	\$2,243,004	\$2,049,548	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	8.02%	7.27%	8.01%	5.82%	6.49%	5.47%	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

	2020	2019	2018
Total OPEB liability - beginning	\$ 1,152,976	\$ 1,471,127	\$ 1,414,167
Service cost	76,817	93,130	110,027
Interest	42,993	60,397	54,499
Changes in benefit terms	0	0	
Differences between expected and actual experience	244,147	(464,366)	(103,785)
Changes of assumptions	0	0	
Benefit payments	(2,866)	(7,312)	(3,781)
Other changes			
Total OPEB liability - ending	1,514,067	1,152,976	1,471,127
Covered-employee payroll	1,999,207	2,120,023	2,263,789
Total OPEB liability as a % of covered-employee payroll	75.73%	54.39%	64.99%
Notes to Schedule:			
Until a full 10-year trend is compiled, only information for those years available is presented.			
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.			

Pierce County Housing Authority
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2020

Federal Agency	Federal Program	Federal CFDA Number	Other Award Number	Expenditures			Debt Liability Balance	Note
				From Pass-Through Awards	From Direct Awards	Passed through to Subrecipients		
U.S. Department of Agriculture (UDSA)	Rural Rental Housing Loans	10.415	2020 Loan Subsidy	\$ -	\$ 28,012	\$ -	\$ 422,752	1,2,4
U.S. Department of Agriculture (UDSA)	Rural Rental Assistance Payments	10.427	2020 RD RA	\$ -	\$ 95,923	\$ -	\$ -	1,2
	Total Direct from U.S. Department of Agriculture			\$ -	\$ 123,935	\$ -	\$ 422,752	
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	2020 OFND	\$ -	\$ 322,706	\$ -	\$ -	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	2020 HCV	\$ -	\$ 30,764,369	\$ -	\$ -	1,2,3
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Office of Public and Indian Housing)	Covid-19 - Section 8 Housing Choice Vouchers	14.871	2020 CARES Act Funding	\$ -	\$ 51,271	\$ -	\$ -	1,2
	Total Housing Voucher Cluster			\$ -	\$ 30,815,640	\$ -	\$ -	
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	2020 CFP	\$ -	\$ 209,050	\$ -	\$ -	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	2020 FSS	\$ -	\$ 104,438	\$ -	\$ -	1,2,3
	Total Direct from U.S. Housing and Urban Development			\$ -	\$ 31,451,834	\$ -	\$ -	
	Total Federal Awards Expended			\$ -	\$ 31,575,769	\$ -	\$ 422,752	

The accompanying Notes are an integral part of this statement.

PIERCE COUNTY HOUSING AUTHORITY
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ending December 31, 2020

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 \$1,368,640 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, 2020, amounting to \$422,752. The balance of the Rural Rental Housing loan at December 31, 2020, was \$396,232.

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

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2020

	Project Total	14 PHC Public Housing CARES Act Funding	6.2 Component Unit - Blended	14.886 PIH Family Self-Sufficiency Program	1 Business Activities	8 Other Federal Program 1	10.415 Rural Rental Housing Loans	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$358,850		\$945,248		\$4,115,064	\$942,943	\$206,578	\$102,402			\$6,671,085		\$6,671,085
112 Cash - Restricted - Modernization and Development			\$362,903								\$362,903		\$362,903
113 Cash - Other Restricted	\$172,203		\$104,822		\$47,137		\$75,396	\$14,650			\$470,071		\$470,071
114 Cash - Tenant Security Deposits	\$41,150		\$189,124				\$6,400				\$938,811		\$938,811
115 Cash - Restricted for Payment of Current Liabilities			\$178,128		\$4,162,201	\$942,943	\$291,374	\$405,642	\$892,589		\$1,476,359		\$1,476,359
100 Total Cash	\$572,203	\$0	\$1,780,225	\$0	\$4,162,201	\$942,943	\$291,374	\$622,694	\$892,589	\$0	\$9,264,229		\$9,264,229
121 Accounts Receivable - PHA Projects								\$22,359			\$22,359		\$22,359
122 Accounts Receivable - HUD Other Projects													
124 Accounts Receivable - Other Government													
125 Accounts Receivable - Miscellaneous	\$920		\$0		\$155	\$2,760	\$2,440				\$6,275		\$6,275
126 Accounts Receivable - Tenants	\$48,864		\$111,564		\$34,662	\$0	\$2,460			\$0	\$197,550		\$197,550
126.1 Allowance for Doubtful Accounts - Tenants						\$0							
126.2 Allowance for Doubtful Accounts - Other													
127 Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$0	\$0		\$0		\$0				
127.1 Allowance for Doubtful Accounts - Current													
128 Fraud Recovery													
128.1 Allowance for Doubtful Accounts - Fraud													
129 Accrued Interest Receivable													
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$37,228	\$0	\$88,604	\$0	\$2,021		\$4,487	\$4,270	\$0	\$0	\$144,610		\$144,610
131 Investments - Unrestricted					\$105,525						\$105,525		\$105,525
132 Investments - Restricted													
135 Investments - Restricted for Payment of Current Liability													
142 Prepaid Expenses and Other Assets					\$259,885						\$259,885		\$259,885
143 Inventories					\$11,396						\$11,396		\$11,396
143.1 Allowance for Obsolete Inventories													
144 Inter Program Due From	\$0		\$0		\$0						\$0		\$0
145 Assets Held for Sale													
150 Total Current Assets	\$609,431	\$0	\$1,888,829	\$0	\$4,581,028	\$930,943	\$286,861	\$628,964	\$892,589	\$0	\$9,785,645		\$9,785,645
161 Land	\$1,980,161		\$2,027,164		\$1,172,692		\$90,100				\$5,270,117		\$5,270,117
162 Buildings	\$9,819,215		\$19,223,934		\$6,404,076		\$616,564				\$30,062,789		\$30,062,789
163 Furniture, Equipment & Machinery - Dwellings	\$427,894		\$2,055,749		\$511,928		\$50,244				\$3,045,515		\$3,045,515
164 Furniture, Equipment & Machinery - Administration	\$92,001				\$620,280			\$108,732			\$821,023		\$821,023
165 Leasehold Improvements													
166 Accumulated Depreciation	\$6,893,063		\$12,268,474		\$4,697,809		\$208,782				\$24,240,575		\$24,240,575
167 Construction in Progress								\$29,673			\$29,673		\$29,673
168 Infrastructure													
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,425,908	\$0	\$11,037,373	\$0	\$4,011,177	\$0	\$458,126	\$55,958	\$0	\$0	\$30,988,542		\$30,988,542
171 Notes, Loans and Mortgages Receivable - Non-Current					\$50,000						\$1,096,758		\$1,096,758
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due													
173 Grants Receivable - Non-Current													
174 Other Assets													
176 Investments in Joint Ventures													
180 Total Non-Current Assets	\$5,425,908	\$0	\$11,037,373	\$0	\$4,061,177	\$1,046,758	\$458,126	\$55,958	\$0	\$0	\$22,085,300		\$22,085,300
200 Deferred Outflow of Resources	\$15,565				\$98,817			\$121,042			\$225,424		\$225,424
290 Total Assets and Deferred Outflow of Resources	\$6,050,904	\$0	\$12,906,202	\$0	\$8,711,022	\$1,977,701	\$753,987	\$803,964	\$892,589	\$0	\$32,096,369		\$32,096,369
311 Bank Overdraft													
312 Accounts Payable <= 90 Days	\$0				\$566,651						\$566,651		\$566,651
313 Accounts Payable >90 Days Past Due													

321	Accrued Wage/Payroll Taxes Payable	\$12,256	\$48,782	\$41,612	\$48,782	\$48,782	\$120,750	\$48,782	\$120,750
322	Accrued Compensated Absences - Current Portion		\$65,882						
324	Contingency Liability								
325	Accrued Interest Payable		\$78,741						\$78,741
331	Accounts Payable - HUD PHA Programs								
332	Accounts Payable - PHA Projects								
333	Accounts Payable - Other Contractors								
341	Tenant Security Deposits	\$41,150	\$189,124		\$6,400	\$283,811	\$1,006,328	\$283,811	\$283,811
342	Unearned Revenue	\$10,381	\$76,181	\$25,038	\$1,129	\$992,589	\$341,094	\$1,006,328	\$1,006,328
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$312,854		\$285,540				\$341,094
344	Current Portion of Long-term Debt - Operating Borrowings				\$390	\$405,642	\$465,067	\$465,067	\$465,067
345	Other Current Liabilities	\$38,786	\$10,118	\$10,131	\$0	\$111,369	\$296,419	\$296,419	\$296,419
346	Accrued Liabilities - Other	\$52,911	\$16,656	\$12,483	\$0	\$0	\$0	\$0	\$0
347	Lease Program - Due To		\$0	\$0	\$0	\$0	\$0	\$0	\$0
348	Lease Liability - Current		\$0	\$0	\$0	\$0	\$0	\$0	\$0
310	Total Current Liabilities	\$155,494	\$698,374	\$97,104	\$36,459	\$598,623	\$992,589	\$3,206,643	\$3,206,643
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$16,381,711	\$55,000	\$397,692		\$16,814,403		\$16,814,403
352	Long-term Debt, Net of Current - Operating Borrowings				\$2	\$661	\$1,340		\$1,340
353	Non-current Liabilities - Other		\$54	\$623	\$0	\$61	\$17,801		\$17,801
354	Accrued Compensated Absences - Non Current	\$1,806		\$9,865		\$6,130			
355	FASB 51 Liabilities								
356	Lean Liability - Non Current								
357	Accrued Pension and OPEB Liabilities	\$55,357		\$1,866,283		\$276,208	\$2,197,848		\$2,197,848
358	Total Non-Current Liabilities	\$57,163	\$0	\$1,941,771	\$0	\$282,999	\$19,031,392	\$0	\$19,031,392
300	Total Liabilities	\$212,657	\$0	\$2,818,875	\$0	\$841,622	\$22,238,035	\$0	\$22,238,035
400	Deferred Inflow of Resources	\$28,745		\$197,695		\$85,624			\$312,064
508.4	Net Investment in Capital Assets	\$5,425,908	\$0	\$3,946,177	\$0	\$55,958	\$0	\$0	\$3,833,045
511.4	Restricted Net Position	\$172,203	\$0	\$0	\$73,396	\$14,650	\$0	\$0	\$470,071
512.4	Unrestricted Net Position	\$211,391	\$0	\$1,748,275	\$299,544	\$293,690	\$0	\$0	\$5,243,154
513	Total Equity - Net Assets / Position	\$5,809,502	\$0	\$5,694,452	\$1,977,701	\$348,834	\$0	\$0	\$9,546,270
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,650,904	\$0	\$8,711,022	\$1,977,701	\$753,987	\$0	\$0	\$32,096,369

HA Of Pierce County (WA054)
Tacoma, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	Project Total	14 PHC Public Housing CARES Act Funding	6.2 Component Unit - Blended	14.886 PIH Family Self-Sufficiency Program	1 Business Activities	8 Other Federal Program 1	10.415 Rural Rental Housing Loans	14.871 Housing Choice Vouchers	14. HCC HCV CARES Act Funding	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$533,372		\$4,535,364		\$1,273,602		\$147,600				\$6,789,938		\$6,789,938
70400 Tenant Revenue - Other	\$23,996		\$68,999		\$29,953		\$12,688				\$135,616		\$135,616
70500 Total Tenant Revenue	\$557,368	\$0	\$4,604,363	\$0	\$1,303,555	\$0	\$160,288	\$0	\$0	\$0	\$6,925,554	\$0	\$6,925,554
70600 HUD PHA Operating Grants	\$531,756			\$104,438				\$30,764,369	\$51,271	\$0	\$31,451,834		\$31,451,834
70710 Management Fee													
70720 Asset Management Fee													
70730 Book Keeping Fee													
70740 Front Line Service Fee													
70750 Other Fees													
70700 Total Fee Revenue											\$0	\$0	\$0
70800 Other Government Grants													
71100 Investment Income - Unrestricted	\$131		\$996		\$233	\$117	\$28,012	\$893		\$95,923	\$123,935		\$123,935
71200 Mortgage Interest Income							\$32				\$2,392		\$2,392
71300 Proceeds from Disposition of Assets Held for Sale													
71310 Cost of Sale of Assets							\$0	\$28,622			\$28,622		\$28,622
71400 Fraud Recovery								\$1,006,497			\$1,006,497		\$1,006,497
71500 Other Revenue	\$5,982		\$8,445		\$15,360		\$0				\$1,066,254		\$1,066,254
71600 Gain or Loss on Sale of Capital Assets	\$1,701		\$10,022		\$1,617						\$9,938		\$9,938
72000 Investment Income - Restricted													
70000 Total Revenue	\$1,066,918	\$0	\$4,895,337	\$112,883	\$1,317,531	\$117	\$188,312	\$31,830,361	\$51,271	\$95,923	\$39,588,653	\$0	\$39,588,653
91100 Administrative Salaries	\$60,337		\$199,999		\$99,802		\$15,393	\$426,631	\$0		\$701,562		\$701,562
91200 Auditing Fees	\$9,926		\$23,398		\$9,217			\$28,361			\$70,902		\$70,902
91300 Management Fee													
91310 Book-keeping Fee													
91400 Advertising and Marketing													
91500 Employee Benefit Contributions - Administrative	\$11,865		\$72,458		\$39,530		\$8,248	\$413,368			\$545,559		\$545,559
91600 Office Expenses	\$2,617		\$35,244	\$779	\$18,632		\$924	\$22,578			\$80,774		\$80,774
91700 Legal Expense	\$2,241		\$2,189		\$6,719		\$456				\$11,605		\$11,605
91800 Travel					\$487			\$93			\$570		\$570
91810 Allocated Overhead	\$216,561		\$487,612	\$2,360	\$194,616			\$467,291			\$1,368,640		\$1,368,640
91900 Other			\$12,171		\$4,944						\$17,115		\$17,115
91000 Total Operating - Administrative	\$303,647	\$0	\$772,671	\$3,139	\$333,947	\$0	\$25,021	\$1,355,302	\$0	\$0	\$2,796,727	\$0	\$2,796,727
92000 Asset Management Fee				\$83,368							\$83,368		\$83,368
92100 Tenant Services - Salaries													
92200 Relocation Costs													
92300 Employee Benefit Contributions - Tenant Services				\$21,586							\$21,586		\$21,586
92400 Tenant Services - Other	\$0	\$0	\$0	\$104,954	\$0	\$0	\$0	\$0	\$0	\$0	\$104,954	\$0	\$104,954
92500 Total Tenant Services													
93100 Water	\$3,347		\$195,950		\$30,149		\$2,370				\$231,375		\$231,375
93200 Electricity	\$771		\$47,755		\$44,036		\$2,043				\$94,605		\$94,605
93300 Gas													
93400 Fuel													
93500 Labor													
93600 Sewer	\$142		\$383,775		\$108,868		\$19,800				\$506,585		\$506,585
93700 Employee Benefit Contributions - Utilities													
93800 Other Utilities Expense							\$16,524				\$28,182		\$28,182
93900 Total Utilities	\$4,260	\$0	\$638,997	\$0	\$163,053	\$0	\$34,737	\$0	\$0	\$0	\$660,747	\$0	\$660,747

94100	Ordinary Maintenance and Operations - Labor	\$103,951	\$121,988	\$663	\$0	\$555,782	\$555,782
94200	Ordinary Maintenance and Operations - Materials and Other	\$36,045	\$2,875	\$937	\$0	\$182,433	\$182,433
94300	Ordinary Maintenance and Operations Contracts	\$73,226	\$192,148	\$17,331	\$0	\$821,215	\$821,215
94500	Employee Benefit Contributions - Ordinary Maintenance	\$43,276	\$45,556	\$471	\$0	\$164,082	\$164,082
94000	Total Maintenance	\$256,488	\$388,448	\$19,302	\$0	\$1,723,512	\$1,723,512
95100	Protective Services - Labor						
95200	Protective Services - Other Contract Costs						
95300	Protective Services - Other						
95500	Employee Benefit Contributions - Protective Services						
95000	Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110	Property Insurance	\$12,027				\$12,027	\$12,027
96120	Liability Insurance	\$8,509				\$8,509	\$8,509
96130	Workers' Compensation	\$3,913	\$5,945	\$69	\$1,788	\$27,637	\$27,637
96140	All Other Insurance	\$7,594	\$43,843	\$9,719	\$93,188	\$315,247	\$315,247
96100	Total Insurance Premiums	\$32,043	\$49,788	\$9,788	\$94,976	\$363,420	\$363,420
96200	Other General Expenses	\$60,310	\$4,456	\$16,783	\$286,701	\$502,782	\$502,782
96210	Compensated Absences	\$0	\$0	\$0	\$0	\$33	\$33
96300	Payments in Lieu of Taxes	\$52,911		\$9		\$97,651	\$97,651
96400	Bad debt - Tenant Rents	\$14,951	\$13,156			\$14,951	\$14,951
96500	Bad debt - Mortgages						
96600	Bad debt - Other						
96800	Severance Expense						
96900	Total Other General Expenses	\$128,172	\$4,456	\$16,792	\$286,701	\$615,417	\$615,417
96710	Interest of Mortgage (or Bonds) Payable						
96720	Interest on Notes Payable (Short and Long Term)						
96730	Amortization of Bond Issue Costs						
96700	Total Interest Expense and Amortization Cost	\$0	\$0	\$28,364	\$0	\$981,001	\$981,001
98900	Total Operating Expenses	\$724,620	\$112,883	\$134,004	\$1,729,979	\$7,445,778	\$7,445,778
97000	Excess of Operating Revenue over Operating Expenses	\$372,298	\$0	\$54,308	\$51,271	\$95,923	\$32,142,875
97100	Extraordinary Maintenance						
97200	Casualty Losses - Non-capitalized						
97300	Housing Assistance Payments						
97350	HAP Profitability						
97400	Depreciation Expense	\$338,908	\$986,678	\$20,287	\$19,037	\$1,593,723	\$1,593,723
97500	Fraud Losses						
97600	Capital Outlays - Governmental Funds						
97700	Debt Principal Payment - Governmental Funds						
97800	Dwelling Units Rent Expense						
90000	Total Expenses	\$1,063,528	\$1,359,770	\$154,281	\$31,091,912	\$38,478,320	\$38,478,320
10010	Operating Transfer In						
10020	Operating Transfer Out		\$0			\$0	\$0
10030	Operating Transfers from/to Primary Government						
10040	Operating Transfers from/to Component Unit						
10050	Proceeds from Notes, Loans and Bonds						
10060	Proceeds from Property Sales						
10070	Extraordinary Items, Net Gain/Loss						
10080	Special Items (Net Gain/Loss)		\$2,931,349			\$2,931,349	\$2,931,349
10090	Inter Project Excess Cash Transfer In						
10095	Inter Project Excess Cash Transfer Out						
10099	Transfers between Program and Project - In						
10100	Total Other financing Sources (Uses)	\$0	\$2,931,349	\$0	\$0	\$2,931,349	\$2,931,349
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$33,390	\$2,899,110	\$34,021	\$51,271	\$4,041,682	\$4,041,682



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

**Pierce County Housing Authority
January 1, 2020 through December 31, 2020**

This schedule presents the corrective action planned by the Housing Authority 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).

Finding ref number: 2020-001	Finding caption: The Housing Authority’s internal controls over accounting and financial reporting were inadequate to ensure accurate and timely reporting
Name, address, and telephone of Housing Authority contact person: James Stretz, Executive Director Pierce County Housing Authority 603 Polk Street Tacoma, WA 98444	
Corrective action the auditee plans to take in response to the finding: <i>The Authority acknowledges that financial reporting has not been correct, and the inaccuracies have not been critical to third parties’ reliability on the performance and financial strength of the Authority. We share SAO’s frustration with correcting reports prepared by a nationally recognized PHA consulting firm acting as our CFO and then reviewed by a closely aligned CPA firm in Oklahoma engaged by our consultant. Compounding our challenge is the threat by Pierce County to merge us into Tacoma Housing, making it difficult to attract qualified talent to bring financial expertise in-house. PCHA plans to improve in four areas to correct this deficiency.</i> <i>1) Increase search efforts for a qualified Director of Finance bring the expertise in house</i> <i>2) Continue to push the County to conclude their study merging PCHA. 3) Replace our Consultant with a Washington CPA firm with experience performing accounting functions specifically Controller functions for PHAs in the state of Washington, and experience with our soon-to-be installed consolidated software package</i> <i>4) Increase efforts to have finance staff attend training using the report from HUD hired outside consultants providing us technical training on Risk Management</i>	

Anticipated date to complete the corrective action:

- Immediately- increase our search efforts for a qualified Director of Finance willing to take a position with an Authority that could cease to exist because of a merger. Hire target date: 9-30-22
- Immediately continue to encourage the County Executive to conclude merger study and use new Board members appointed in our efforts. This factor is not in our control; therefore, the completion date is unknown.
- Replace Consultant-Publish RFP by May 1 to hire a new Washington based, HFA and Yardi experienced CPA firm by May 1, 2022, to act as Controller and assist in training staff until we bring expertise in-house
- Immediately require finance staff and ED to complete 36 hours of professional training by the end of 2022

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