



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

**Financial Statements and Federal Single Audit  
Report**

**Pierce County Housing Authority**

**For the period January 1, 2013 through December 31, 2013**

**Published September 18, 2014**

**Republished September 19, 2014**

**Report No. 1012581**





**Washington State Auditor**  
**Troy Kelley**

September 19, 2014

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,

TROY KELLEY  
STATE AUDITOR

# Table of Contents

**Pierce County Housing Authority  
Pierce County  
January 1, 2013 through December 31, 2013**

Federal Summary .....	4
Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards .....	6
Independent Auditor's Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	8
Independent Auditor's Report On Financial Statements .....	11
Financial Section.....	14
About The State Auditor's Office.....	60

# Federal Summary

## Pierce County Housing Authority January 1, 2013 through December 31, 2013

The results of our audit of the Pierce County Housing Authority are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the basic financial statements.

#### ***Internal Control Over Financial Reporting:***

- ***Significant Deficiencies:*** We reported no 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 under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following was a major program during the period under audit:

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$618,562.

The Housing Authority qualified as a low-risk auditee under OMB Circular A-133.

# **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

## **Pierce County Housing Authority January 1, 2013 through December 31, 2013**

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, Pierce County, Washington, as of and for the year ended December 31, 2013, 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 September 12, 2014. As discussed in Note 11 to the financial statements, during the year ended December 31, 2013, the Housing Authority implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

### ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

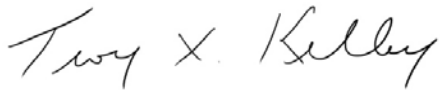
## ***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether the 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*.

## ***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.



**TROY KELLEY**  
STATE AUDITOR

September 12, 2014

# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**Pierce County Housing Authority  
January 1, 2013 through December 31, 2013**

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, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The Housing Authority's major federal programs are identified in the accompanying Federal Summary.

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

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

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

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2013.

### ***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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

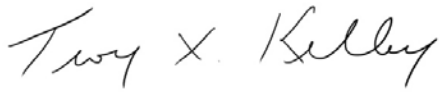
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 OMB Circular A-133. 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 cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

September 12, 2014

# **Independent Auditor's Report on Financial Statements**

## **Pierce County Housing Authority January 1, 2013 through December 31, 2013**

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, Pierce County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 14.

#### ***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, 2013, 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 11 to the financial statements, in 2013, the Housing Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 20 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.

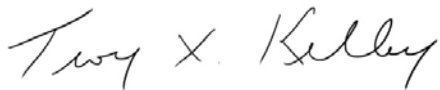
#### ***Supplementary and Other Information***

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. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Financial Data Schedule and HUD form are supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

September 12, 2014

## **Financial Section**

### **Pierce County Housing Authority January 1, 2013 through December 31, 2013**

#### ***REQUIRED SUPPLEMENTARY INFORMATION***

Management's Discussion and Analysis – 2013

#### ***BASIC FINANCIAL STATEMENTS***

Statement of Net Position – 2013

Statement of Revenues, Expenses and Changes in Net Position – 2013

Statement of Cash Flows – 2013

Notes to Financial Statements – 2013

#### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

Financial Data Schedule – 2013

Actual Modernization Cost Certificate – WA19P054501-13

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Authority administers a broad range of federally and locally financed housing programs within Pierce County. The Authority owns and manages 817 housing units and provides housing assistance subsidies and other services to about 2,700 households. Our discussion and analysis of the Pierce County Housing Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the Authority's financial statements.

### FINANCIAL HIGHLIGHTS

- During 2013, the Authority provided \$293,000 more in housing assistance subsidies than was reimbursed by HUD for the Housing Choice Voucher program.
- The Authority contributed \$182,000 to cover HUD's administrative fee funding shortfall resulting from sequestration in the Housing Choice Voucher program.
- The Authority used approximately \$1.4 million from its Replacement Reserve to fund capital projects in the Affordable Housing program.
- The Authority generated revenues in excess of requirements under a trust indenture for its Housing Revenue Bonds resulting in the requirement for a special redemption of bonds in the amounts of \$65,000.
- The Authority completed capital improvement projects and recorded a corresponding reduction to buildings and accumulated depreciation comprising most of the loss on the disposition of assets of \$302,000.

The Authority is a highly leveraged operation, as is common in the residential real estate business. Because its rents are set at rates to provide affordable housing to low-income individuals and families, net income from operating the Affordable Housing programs is expected to be very minor. The operation of the Assisted Housing Programs is designed to operate on a break-even basis with a small administrative fee allowed for managing the program for Federal agencies.

Capital improvement projects at the Authority's apartment complexes caused substantially all of the decrease in the working capital identified in the key financial measures in the following chart, while a reduction in the debt service obligations required for 2014 represent the positive changes in working capital ratio and debt service coverage ratio. Revenues generated in excess of expenses resulted in the positive change to return on assets and return on net position.

	Key Financial Measures	
	2013	2012
Working Capital	8,913,472	9,196,557
Working Capital Ratio	663.98%	419.28%
Long-term Liabilities to Net Position	79.42%	78.82%
Return on Assets	0.07%	-0.46%
Return on Net Position	0.14%	-0.88%
Cash Flow before Debt Service	2,630,599	2,848,682
Debt Service	1,222,619	2,669,149
Debt Service Coverage	215%	107%

- Working capital measures the Authority's available financial resources to meet its short-term obligations. Working capital was reduced during 2013 to fund capital improvement projects at the apartment complexes in the Authority's Affordable Housing program. The working capital ratio increased as a result of the reduction in debt service payments that will become due in 2014 in the Affordable Housing program. The Authority has sufficient resources to pay its current obligations.

- The Authority generated more revenues than expenses during 2013, resulting in a positive change in the return on assets and return on net position.
- The measure of debt service coverage from operations is important to the Authority's long-term creditors because it provides a broad measure of the Authority's ability to generate sufficient cash flow to fund its annual debt service requirements. This measure increased 2012 to 2013 primarily as a result of the changes to the debt repayment obligations of the Authority's Housing Revenue Bonds. The debt service coverage measure is an aggregate of the Authority as a whole, and is not based on the contractual method of calculating debt service coverage based on the operating results of specific properties.

## **Introduction to the Financial Statements**

The Authority operates the following two major business type programs that are included in these financial statements.

### **Assisted Housing Programs**

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

### **Affordable Housing Programs**

This major program is used to account for apartment building operations that are financed and operated in a manner similar to private business enterprise. The intent of the Authority is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or 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. This major program also accounts for the sale and financing of single-family residences under its Homeownership program.

## **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows found after Management's Discussion and Analysis, provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

### **Reporting the Authority as a Whole**

The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows report information about the Authority as a whole and about its activities in a way that helps communicate the financial condition of the Authority. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the Authority's net position, and changes in them, as well as how cash was generated and used during the year. The Authority's net position is the difference between assets and liabilities. It is one way to measure the Authority's financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial condition is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Authority's funding structures and the condition of the Authority's housing stock, to assess the overall financial health of the Authority.

## THE AUTHORITY AS A WHOLE

The Authority's net position increased by approximately \$65,000 in 2013. In comparison, the Authority's net position decreased by \$195,000 in 2012 as a result of HUD funding shortfalls in the Low-Income Public Housing. The following analysis focuses on the changes in assets, liabilities and net position of the Authority's operations.

	<b>ASSETS AND NET POSITION</b>		<b>Percentage</b>
	<b>2013</b>	<b>2012</b>	<b>Change</b>
Current and Other Assets	\$ 13,982,548	\$ 15,760,001 <sup>(1)</sup>	-11.28%
Capital Assets, Net	26,914,762	26,339,289	2.18%
Total Assets	40,897,310	42,099,290	-2.86%
Gain on Debt Refunding	97,584	107,592	-9.30%
Total Deferred Outflows of Resources	97,584	107,592 <sup>(1)</sup>	-9.30%
Non Current Liabilities	17,447,337	17,389,745 <sup>(1)</sup>	0.33%
Current Liabilities	1,580,449	2,880,389	-45.13%
Total Liabilities	19,027,786	20,270,134 <sup>(1)</sup>	-6.13%
Net Position:			
Invested in Capital Assets, Net of Debt	9,795,188	8,087,769 <sup>(1)</sup>	21.11%
Restricted	9,367,927	10,861,711	-13.75%
Unrestricted	2,803,993	2,987,268	-6.14%
Total Net Position	\$ 21,967,108	\$ 21,936,748 <sup>(1)</sup>	0.14%

The increase in investment in capital assets is caused by several offsetting factors. Capital additions paid from operating cash flow increased the investment in capital assets while asset disposals and the accumulated depreciation and amortization that exceeded the normal principal payments on the related capital debt reduced this category.

Decreases in restricted net position result primarily from the use of \$1.4 million from Replacement Reserves to fund capital improvement projects. Congress had imposed a change in HUD's Housing Assistance Payments program in 2005, which placed additional restrictions on certain appropriations received in fiscal years 2005-2013. Those restrictions, however, do provide for using prior excess funding specifically for housing assistance subsidies.

Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The Authority's expenditures in excess of revenues generated in the Low-Income Public Housing program of about \$152,000 is the primary cause of the decrease in unrestricted net position.

The Authority's total operating revenues reflected in the following chart decreased about 5.6% or 1.7 million from 2012 to 2013. A decrease in HUD contributions for the Housing Choice Voucher program of \$2.3 million offset by an increase in the HUD contributions for the Low-Income Public Housing program of \$280,000 and rent increases in the affordable housing program of approximately \$124,000 comprise most of the change in 2013.

Operating costs in the Affordable Housing and Assisted Housing programs decreased as a result of staffing reductions and moratoriums on overtime work and vacation cash outs. The Affordable Housing program also experienced a decrease in the use of maintenance repair contingencies and the Assisted Housing programs experienced a reduction in the amount of housing assistance payments made to landlords in 2013. Overall, operating expenses decreased by about \$1.7 million or 4.9% from the prior year.

(1) Restatement of 2012 resulting from adopting GASB 65

	<b>CHANGES IN NET POSITION</b>		<b>Percentage</b>
	<b>2013</b>	<b>2012</b>	<b>Change</b>
Rent and Other Tenant Revenues	\$ 5,961,573	\$ 5,836,975	2.13%
Annual Contributions (HUD)	20,506,964	22,321,232	-8.13%
Other Revenues	1,855,436	1,890,022	-1.83%
Total Operating Revenues	28,323,973	30,048,229	-5.74%
Insurance Proceeds (Settlements)	(13,232)	9,453	
Interest Revenue	479,004	525,078	-8.77%
Total Non-Operating Revenue	465,772	534,531	-12.86%
Apartment Operations and Administration Expense	4,078,215	4,123,065	-1.09%
Assisted Housing Operations and Administration	23,394,394	24,757,394	-5.51%
Total Operating Expenses	27,472,609	28,880,459	-4.87%
Loss on Disposition of Assets	301,599	953,881	-68.38%
Amortization of Bond Discounts	42,406	32,398	30.89%
Interest Expense	1,056,784	1,112,291	-4.99%
Total Non-Operating Expense (Income)	1,400,789	2,098,570	-33.25%
Increase (Decrease) in Net Assets Before Capital Grant Contributions	(83,653)	(396,269)	-78.89%
Capital Grant Contributions	114,012	202,802	-43.78%
Increase (Decrease) in Net Position	30,359	(193,467)	-115.69%
Ending Net Position	<u>\$ 21,967,108</u>	<u>\$ 21,936,749</u> <sup>(1)</sup>	0.14%
Net operating income-Apartments	\$ 1,518,168	1,454,578	4.37%
Net operating income-Assisted Housing	\$ (666,802)	(286,808)	132.49%

The net effect of these revenue and expense changes decreased net operating income in 2013 by approximately \$280,000 from the prior year. The combination of all of these factors resulted in the current year increase in net position of about \$65,000, compared to the 2012 decrease in net position of \$194,000 reflected in the above chart.

Restatement of 2012 resulting from adopting GASB 65

## **Budgetary Highlights**

The Authority's executive staff developed its 2013 budget in December 2012. Informal budget revisions were completed during the year in response to operational changes made to adjust for HUD funding shortfalls in the Housing Choice Voucher program.

Overall, the Authority's revenues were \$2 million less than expected, and expenses were approximately \$1.9 million less than budgeted. Revenues for the Assisted Housing programs were approximately \$2.05 million less than projected and operating expenses were about \$1.7 million less than budgeted, while the Affordable Housing programs exceeded its revenue targets by approximately \$40,000 and spent \$167,000 less than projected. The main factors causing the variance are as follows:

- Housing assistance subsidies were about \$2.09 million less than expected and operating expenses were about \$1.69 million less than budgeted, primarily as a result of a reduction in voucher utilization in the Housing Choice Voucher program.
- Increased occupancy rates in the Authority's portfolio of multi-family housing operations assisted with exceeding revenue expectations in the Affordable Housing Program by approximately \$74,000 while a decrease in emergency maintenance repairs, staffing reductions and reductions in legal costs assisted with reducing expenditures to \$150,000 less than budgeted.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2013, the Authority had \$26.2 million invested in its portfolio of housing stock and \$715,000 invested in assets used in administration and program support. This amount represents a net increase (including additions, sales, disposals and depreciation) of \$575,000 from last year.

The increase to capital assets is due to major maintenance and building additions (and related disposals). This year's major additions include major capital improvement projects as well as costs incurred for interior modernization activities; however those additions are partially offset by reductions from normal recurring depreciation.

The Authority maintains capital replacement reserves under a bond indenture, under a loan agreement requirement and under a HUD disposition agreement. As of December 31, 2013, the Authority has approximately \$5.6 million in reserves held specifically for capital replacements on the pooled housing refunding bonds and a Rural Development project. The Authority's fiscal-year 2014 capital budget calls for it to spend approximately \$3.5 million for capital projects involving the pooled housing bond properties, Low Income Public Housing program and the Rural Development project. These capital improvements will be funded from existing reserves and additionally will require the use of operating cash flow. For additional information refer to Note 1.D.6. in the notes to the financial statements.

### **Debt Administration**

At year-end, the Authority had \$17.6 million in bonds and loans outstanding versus \$18.8 million last year, a decrease of 6%. Reductions were a result of normal, recurring principal payments and a special redemption of the 1998 Series Pooled Housing Refunding Revenue bonds.

The Authority met its obligations set forth under bond covenants to maintain pre-determined debt service coverage ratios. Additional information regarding long-term debt and related bond covenants is provided in Note 4 of the Authority's notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Authority's appointed commissioners and management considered many factors when setting the preliminary fiscal year 2014 budget. At the time this report was published, funding levels for the programs operated and funded through the Section 8 Housing Choice Voucher and Low-Income Public Housing programs remained undetermined as a result of the federal government's sequestration; however slight increases over 2013 funding levels are expected. Effects of sequestration motivated the Authority's management to mirror most operating activities of 2013 in the 2014 budget, adding in factors for inflation, statutory increases and increased housing subsidy utilization.

Additionally, the Authority's preliminary budget assumes certain vacated apartments previously off-line for capital improvement projects will receive occupancy certificates and begin producing revenues midway through the year.

The investment in capital assets, net of related debt is expected to increase as a result of capital improvements that are expected to be completed in 2014. The restricted net position balance will be reduced primarily by HUD imposed requirements to offset budget appropriations with existing housing assistance reserves held by the Authority, funding proration resulting from sequestration, and expenditures for capital improvements that will be funded by reserve amounts restricted for that purpose. While the full extent of impacts of sequestration are uncertain, the Authority expects its unrestricted net position to decrease by at least \$1 million by the close of 2014. In order to meet the budget targets, the occupancy targets will need to be met, productivity in managing the assisted housing programs will need to be achieved and expense controls will need to be rigorously enforced.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide our citizens, renters, housing assistance customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's finance department, at Pierce County Housing Authority, 603 South Polk Street, PO Box 45410, Tacoma, WA 98448-5410.

**PIERCE COUNTY HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**ASSETS**

Current Assets	
Cash, Cash Equivalents and Investments	2,491,744
Restricted Cash, Cash Equivalents and Investments	7,784,677
Accounts Receivable/prepays (net)	192,881
Notes Receivable	11,427
Inventory	13,192
<b>TOTAL CURRENT ASSETS</b>	<b>10,493,921</b>

Non Current Assets	
Restricted Cash, Cash Equivalents, and Investments	2,358,854
Notes Receivable	1,129,773
Capital Assets:	
Land	5,334,117
Construction in Progress	718,449
Buildings	34,108,549
Intangible Assets	89,224
Equipment and Flooring	3,155,845
Less accumulated depreciation	(16,491,422)
<b>TOTAL NON CURRENT ASSETS</b>	<b>30,403,389</b>

<b>TOTAL ASSETS</b>	<b>40,897,310</b>
---------------------	-------------------

Deferred Outflows of Resources	
Debt Refunding	97,584
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>97,584</b>

**LIABILITIES**

Accounts Payable	413,801
Accrued Interest Payable	80,505
Tenant Deposits and Prepaid Rent	229,090
Other Accrued Liabilities	313,715
Accrued Payroll & Compensated Absences	170,878
Grant Advances	206,625
Current portion of long term liabilities	165,835
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,580,449</b>

Non Current Liabilities	
Bonds and Loans Payable (net)	17,051,323
Compensated Absences, Other Non-Current Liabilities and Grant Advances	396,014
<b>TOTAL LIABILITIES</b>	<b>19,027,786</b>

**NET POSITION**

Invested (deficit) in Capital Assets	9,795,188
Restricted	9,367,927
Unrestricted	2,803,993
<b>TOTAL NET POSITION</b>	<b>21,967,108</b>

The notes to the financial statements are an integral part of this statement.

**PIERCE COUNTY HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**OPERATING REVENUES**

Dwelling Rent	5,714,490
Tenant Charges	211,596
Laundry	13,300
Utilities	22,187
Other Income	1,674,817
Other Operating Grants	180,619
Annual Contributions (HUD) & Operating Grants	20,506,964
<b>TOTAL OPERATING REVENUES</b>	<b>28,323,973</b>

**OPERATING EXPENSES**

Administration	1,865,873
Tenant Services	9,233
Utilities	867,478
Maintenance Costs	1,496,742
On Site Salaries and Benefits	314,031
General Operational Costs	969,168
Other	209,015
Independent Audit Costs	95,377
Housing Assistance Payments	20,332,229
Depreciation	1,313,463
<b>TOTAL OPERATING EXPENSES</b>	<b>27,472,609</b>

**OPERATING INCOME**

**851,364**

**NONOPERATING REVENUES (EXPENSES)**

Gain (Loss) on Disposition of Assets	(301,599)
Insurance Settlements	(13,232)
Investment Revenue	479,004
Amortization of Bond Discounts and Refunding Outflows	(42,406)
Interest Expense	(1,056,784)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(935,017)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>(83,653)</b>

Capital Contributions 114,012

**CHANGE IN NET POSITION**

**30,359**

**BEGINNING NET POSITION AS PREVIOUSLY REPORTED**

21,992,428

**PRIOR PERIOD ADJUSTMENTS**

(55,679)

**BEGINNING NET POSITION AS RESTATED**

21,936,749

**TOTAL NET POSITION ENDING**

**21,967,108**

The notes to the financial statements are an integral part of this statement.

**PIERCE COUNTY HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 5,969,861
Payments to suppliers, employees and landlords	(26,110,593)
Receipts from governments	22,200,564
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,059,832</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>	
Payments for claim settlements	(13,232)
<b>NET CASH USED BY NON CAPITAL FINANCING ACTIVITIES</b>	<u>(13,232)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions	114,012
Purchases of capital assets	(2,216,701)
Principal paid on capital debt	(1,141,954)
Interest paid on capital debt	(1,061,062)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(4,305,705)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	1,789,418
Purchase of investments	(100,083)
Proceeds from Payments on Notes Receivable	36,031
Interest and dividends	479,004
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>2,204,370</u>
Net decrease in cash and cash equivalents	(54,735)
Balances - beginning of the year	4,503,584
Balances - end of the year	4,448,849
Investments	8,186,425
<b>Total Cash, Cash Equivalents and Investments</b>	<u><u>\$ 12,635,274</u></u>

<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income	\$ 851,364
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,313,463
Changes in assets and liabilities:	
Receivables, net	(81,429)
Inventories	767
Accounts Payable	(14,194)
Accrued Expenses	66,624
Tenant Deposits and Prepaid Rent	(41,794)
Accrued Payroll and Compensated absences	10,082
Advance Payment of Grants	90,747
Non Current Liabilities	(135,798)
<b>NET CASH PROVIDED BY OPERATING ACITVITIES</b>	<u><u>\$ 2,059,832</u></u>

<b>RECONCILIATION OF TOTAL CASH, CASH EQUIVALENTS AND INVESTMENTS TO THE STATEMENT OF NET POSITION</b>	
Categories Reflected in the Statement of Net Position	
Current:	
Cash and Cash Equivalents	2,491,744
Restricted Cash, Cash Equivalents and Investments	7,784,676
Non Current:	
Restricted Cash Equivalents and Investments	2,358,854
<b>Total Cash, Cash Equivalents and Investments in Cash Flow Statement</b>	<u><u>\$ 12,635,274</u></u>

The notes to the financial statements are an integral part of this statement

# **PIERCE COUNTY HOUSING AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDING DECEMBER 31, 2013**

---

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. Reporting Entity**

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

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

On January 26, 2012, the Authority's Board of Commissioners adopted a resolution relating to the organization of a nonprofit corporation to support the Authority in its goals. While it has not received final IRS designation, when approved it will be considered a component unit of the Authority.

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

PCHA is the lead and fiscal agency for a grant received from the Bill & Melinda Gates Foundation (BMGF) for the Family Permanency Project (FPP). While PCHA has some administrative oversight and reporting responsibilities for the FPP award, a consortium of not-for-profit agencies, which operate in the Pierce County area, provide the services required under the FPP award. The BMGF grant award was paid in advance to the Greater Tacoma Community Foundation, for the benefit of the FPP. The amount that is expected to be paid in 2014 is reflected as restricted cash and cash equivalents and the portion that is expected to be paid after 2014 is reflected as non-current cash, cash equivalents and investments, with an offsetting amount reflected in grant advances in the accompanying financial statements. The not-for-profit consortium providing the required services is not considered a joint venture with PCHA.

#### **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, liabilities, 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 Authority combine the two following major programs that account

# PIERCE COUNTY HOUSING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDING DECEMBER 31, 2013

---

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 bond covenants. 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 127 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 2,768 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.

**Moderate Rehabilitation:** The Section 8 Moderate Rehabilitation program allows for the subsidy of rent on rehabilitated, low-income housing units for a contracted period of time. Both for-profit and not-for-profit developers may provide low-income housing under this program. The program has HUD-established and controlled rents designed to reimburse owners with sufficient rental income to pay for rehabilitation costs. Developers must obtain their own financing and HUD subsidizes rents once the units are occupied. There is one multi-family housing project consisting of 16 apartment units in this program.

**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.

**McKinney Vento:** Building Changes provides funds through the Washington Families Fund to support the McKinney Vento Workforce Project, which is intended to provide vocational services to advance competitive employment placement, job training and education participation for individuals referred by Tacoma, Sumner and Puyallup school districts.

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.

# PIERCE COUNTY HOUSING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDING DECEMBER 31, 2013

---

#### 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. However, all revenues, whether operating or non-operating, except for certain capital contributions are used as security for the revenue bonds issued to purchase the apartments. As such, all revenues as defined by the revenue bond indenture are pledged to the housing revenue bond payments until the bonds are defeased.

**Ready To Rent:** Financial resources for this program are provided through a grant funded by a private source. This program is intended to prevent homelessness by educating renters to successfully navigate the rental and tenancy processes and to maintain their housing through the exercise of good tenancy skills. Funds provide a portion of the education, supplies and administrative costs to operate the program. Approximately 279 individuals participated in this program during 2013.

**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 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. There were 22 households served in this program during 2013.

#### **C. 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 made.

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. For example, cash and cash equivalents held by the trustee that will be used to pay the next scheduled debt service payment are classified as Restricted Cash and Cash Equivalents in current assets while cash equivalents and investments held by the trustee that are held as reserves that can be used only under unlikely circumstances are treated as Restricted Cash Equivalents and Investments under non-current assets. Certain liabilities, such as Unclaimed Property and Compensated

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

Absences, are classified into current and long-term portions based upon estimates of the amounts that will be settled during the ensuing year.

**D. 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 bond trustee and short term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value. Investment Contracts held by the bond trustee are not considered marketable securities and, therefore, are recorded at cost.

**2. Accounts Receivable**

The Allowance Method for uncollectable accounts receivable (tenant rental and tenant charges) is utilized. All rents and other charges due from vacated tenants, tenants pending eviction or residency termination and all rents and other charges due from active tenants that are in excess of 60 days past due are deemed to be uncollectable. These amounts reduce the amount of accounts receivable and increase General Operational Costs reflected in these financial statements.

**3. Restricted Cash Equivalents and Investments**

These accounts contain resources restricted by external parties for debt service, housing assistance payments, repair and replacement and capital improvements in the various funds. Specific debt service reserve requirements are described in Note 4. The bond trustee holds \$7,698,019 in an investment agreement in bond reserve funds that yield a fixed rate of return for the life of the bonds. This investment agreement from one financial institution yields an interest rate of 5.31%. The trustee has valued this agreement at cost, as it is not considered marketable. Cash held for the operation of the assisted housing programs are not considered restricted, as they are available for operating expenses of those and other designated Authority programs, except for excess housing assistance appropriated for the Housing Choice Voucher Program in calendar years 2005-2013 in the amount of \$1,591,070, funds held in FSS escrow accounts in the amount of \$208,432, and \$78,837 restricted for modernization and development activities for the Low-Income Public Housing and Rural Development programs. Cash and investments of \$390,927, held for the Family Permanency Project is considered restricted, as it is restricted for operating expenses of that program. Tenant damage deposits held in trust accounts of \$176,245 are considered restricted for return to the tenant or until they are applied to amounts owed by the tenant.

**4. Due From and Due to other programs**

During the course of the Authority's operations, numerous transactions occur between programs and/or between specific apartment rental buildings to finance operations and provide services. Internal activity within a program and between programs is eliminated except for residual balances remaining at year-end in the preparation of these financial statements. These residual balances are eliminated in these entity-wide financial statements.

**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 2014 are classified as current assets. In keeping with HUD's Real Estate

**PIERCE COUNTY HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2013**

---

Assessment Center Financial Data Schedule reporting requirements, mortgage balances that may be past due are considered non-current.

**6. Capital Assets**

All capital assets are valued at historical cost, which is comprised of acquisition, development and modernization costs of buildings, property improvements and equipment. Capital assets, except for land, are being depreciated on the straight-line method over estimated useful lives ranging from five to forty years. Buildings are depreciated over forty years, building improvements are depreciated over the remaining useful life of the particular building at the time of the improvement and intangible assets, equipment and floor covering are depreciated over five years.

Capital asset activity for the year ended December 31, 2013 is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Nondepreciable Capital Assets:				
Land	\$ 5,334,117	\$ -	\$ -	\$ 5,334,117
Construction in Progress	262,602	718,449	\$ 262,602	718,449
Total Nondepreciable Capital Assets:	5,596,719	718,449	262,602	6,052,566
Depreciable Capital Assets:				
Buildings	33,356,696	1,388,423	636,570	34,108,549
Intangible Assets	89,224	-	-	89,224
Equipment & Flooring	3,056,815	366,749	267,719	3,155,845
Total Depreciable Capital Assets:	36,502,735	1,755,172	904,289	37,353,618
Accumulated Depreciation				
Buildings	(13,359,531)	(1,071,502)	332,708	(14,098,325)
Equipment & Flooring	(2,400,634)	(241,961)	249,498	(2,393,097)
Total Accumulated Depreciation	(15,760,165)	(1,313,463)	582,206	(16,491,422)
Total Depreciable Capital Assets, Net:	20,742,570	441,709	322,083	20,862,196
Total Capital Assets, Net	<u>\$ 26,339,289</u>			<u>\$ 26,914,762</u>

The Authority's capitalization policies are as follows:

Costs for land or structures (buildings and improvements) are capitalized. Costs for equipment and furnishings, including tenant unit flooring, having a unit cost in excess of \$200 and a useful life of more than one year are capitalized. Costs for betterments and additions, which add to the value or life of existing capital assets, are capitalized.

The majority of the Authority's capital assets are apartment buildings acquired as operating units in connection with the issuance of Housing Revenue Bonds. In most cases, the acquisition price was allocated between land and buildings, with no allocation of the purchase price to equipment or other internal apartment unit furnishings. In these cases, when equipment or other internal apartment unit furnishings are replaced, the loss on disposition of capital assets is recorded as a reduction to buildings while the disposition for equipment or other internal apartment furnishings that were separately purchased are recorded as a reduction to equipment.

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

The Authority applies certain HUD guidelines regarding eligible capital costs to all of the Authority's programs. As a result, major maintenance items such as roof replacements and exterior painting are capitalized and are depreciated over the remaining life of the structure. Other expenses for non-major maintenance and repairs, which do not add to the value or life of capital assets, are charged to operating expenses as incurred.

Additions to building, equipment and flooring are costs incurred under the HUD Capital Fund and Public Housing Programs, reconstruction costs at certain apartment buildings and other improvements and additions. A portion of the additions to equipment and flooring and some of the disposals in this category represent replacement of appliances and flooring in tenant units. The building disposals include the disposition of the declined value for building reconstruction and equipment replacement.

**7. Compensated Absences**

Vested and accumulated vacation and sick leave are reported as expenses and classified into current and long term portions in the applicable program.

**8. Gains on Debt Refunding and Bond Discounts**

Gains on bond refunding and bond discounts are amortized over the period for which the related debt is outstanding. Gains on debt refunding is reflected as Gain on Debt Refunding and bond discounts included in the long term portion of bonds and loans payable in the statement of net position. Changes in financial reporting from the prior year is described in Note 11.

**9. Revenue Recognition**

Tenant rent revenue is recognized on the first day of the month for which the rent is due. Rental payments received in advance of the month for which the payment is made is deferred as prepaid rent and is included in current liabilities. HUD contributions for continuing contracts and revenues from local and private grants are recognized as funding is allocated. For non-recurring or new HUD contribution contracts, revenue is not recognized until the Authority receives a signed contract or notice of funding allocation.

**10. Operating Revenues and Expenses**

Operating revenues include fees and charges from providing services in connection with the ongoing operations of providing affordable and low-income housing. Operating revenues also include operating subsidies and grants provided by Housing and Urban Development (HUD). The use of this classification is based on guidance from HUD, the primary user of the financial statements. Operating expenses are those expenses that are directly incurred while in the operation of providing affordable and low-income housing. This presentation results in an operating income that is higher than a non-operating revenue presentation by the amount of the subsidies and grants. Overall it does not affect the presentation of net income or the change in net position in the statement of revenues, expenses and changes in net position, or the presentation of cash and cash equivalents in the statement of cash flows.

**11. Inventory**

Maintenance supplies maintained in the Authority's maintenance warehouse are valued at cost using the last-in, first-out method.

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

**NOTE 2: LEGAL COMPLIANCE-BUDGETS**

The Authority has no legal obligation to provide a comprehensive annual budget. For certain HUD and RD programs, the Authority is contractually required to prepare budgets. These budgets were prepared in accordance with applicable program requirements and were approved by the Board of Commissioners as required. When necessary, budget revisions were submitted to the oversight agency and approved.

**NOTE 3: DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS**

<u>Deposits and Investments</u>			
	Carrying Amount		Bank Balance
<u>Deposits</u>			
Bank Deposits and Cash on Hand	\$ 4,448,849	\$	4,471,714
	Carrying Amount		Market Value
<u>Evidenced by Securities</u>			
US Treasury and Agencies	378,032		378,032
Investment Agreements and Cash Equivalents held by Bond Trustee	7,808,393		7,808,393
Total Cash Equivalents and Investments	8,186,425		
Total Cash, Cash Equivalents and Investments	\$ 12,635,274		

As required by State law, all deposits and investments of the Authority's programs are deposited with Washington State banks. The deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Certain balances are maintained in Negotiable Order of Withdrawal (NOW) accounts and are considered cash equivalents. The bond trustee holds funds an investment agreement with a commercial entity. This investment agreement is not subject to custodial credit risk. The agreement expires 11/30/2028 or when the related bonds are fully defeased. The S&P credit rating of the guarantor of the investment is AA+. The Authority has no policy for custodial credit risk separate from State law.

Approximately \$13,000 of the bank deposits listed above is held by the Greater Tacoma Community Foundation (GTCF) as agent for the Sound Families Grant. Substantially all of the remaining GTCF funds are invested in US Treasury Notes. These US Treasury Notes mature in increments of \$68,000 per year, from 2014 to 2018.

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

**NOTE 4: LONG TERM OBLIGATIONS**

The Authority's long-term obligations consist of low-income housing revenue bonds, a Rural Development loan, a business activity loan incurred in connection with the purchase of three parcels intended for the development of an administrative facility, a SHB 2060 forgivable loan obtained for a capital improvement project and a capital lease. In addition, the authority records long term liabilities for a portion of compensated absences, advance grant payments, unclaimed property, escrow accounts associated with the Section 8 and Low-Income Public Housing Family Self Sufficiency Program, and an obligation from the Chapter 9 Plan that was discharged during 2012.

The change in the various classifications of the Authority's debt from 2012 to 2013 is shown below.

	Balance Outstanding December 31, 2012	Additions	Payments	Balance Outstanding December 31, 2013	Current Portion
Housing Revenue Bonds	\$ 17,365,000	\$ -	\$ (1,090,000)	\$ 16,275,000	\$ 65,000
SHB 2060	65,000	-	-	65,000	-
Rural Development Program Loans	565,891	-	(15,074)	550,817	19,080
Business Activity Loan	788,992	-	(56,198)	732,794	68,675
Capital Lease	33,774	-	(13,080)	20,694	13,080
Total Outstanding Debt at year End	\$ 18,818,657	\$ -	\$ (1,174,352)	\$ 17,644,305	
Less Bond Discounts	(459,545)			\$ (427,147)	
Less Current Portion of Long Term Debt	(1,556,858)			(165,835)	165,835
Total Long Term Debt Outstanding	<u>\$ 16,802,254</u>			<u>\$ 17,051,323</u>	

The Authority classifies certain liabilities between its current and long-term portions. Compensated absences, unclaimed property and FSS program funds were classified between their current and long-term portions. In addition, the Authority received an advance of a long-term Family Permanency Project (FPP) Grant.

Since the FPP grant will be used over several years, a portion is included in other long-term liabilities. The other long-term liabilities represent the estimate of the portion of certain liabilities expected to be liquidated after December 31, 2014. Tenants are allowed to pay for a bond to satisfy their security deposit requirements. These transactions are managed by a third party. The assets held by the third party and the related tenant deposit liabilities are not reflected in the Financial Statements.

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

The non-current liabilities other than bonds and the capital lease are listed in the following chart:

	December 31, 2012	Increase	Decrease	December 31, 2013	Current Portion
Family Self Sufficiency	\$ 179,850	\$ 28,582		\$ 208,432	\$ 98,669
Grant Advances	460,809		(69,882)	390,927	206,625
Compensated Absences	142,013	1,180		143,193	95,954
Unclaimed Property	44,034	1,086		45,120	39,625
Chapter 9 Plan Repayment	70,211		(24,001)	46,210	24,000
Sub-Total	\$ 896,917	\$ 30,848	\$ (93,883)	\$ 833,882	
Less Current Portion	<u>(365,105)</u>			<u>(464,873)</u>	<u>464,873</u>
Total Other Non-Current Liabilities	<u>\$ 531,812</u>			<u>\$ 369,009</u>	

Information regarding individual debt issues is as follows:

Issue	Purpose	Original Balance	Interest Rate Range (%)	Maturity Dates	Outstanding Balance 12/31/2013
Pooled Project A	Refunding for Several Apartment Communities	\$ 31,140,000	5.65%-5.9%	2015-2028	\$ 15,535,000
Pooled Project B	Refunding for Several Apartment Communities	3,030,000	6.0%	2014-2028	740,000
SHB 2060	Capital Project Montgrove Manor	65,000	0.0%	2041	65,000
Rural Development Loan	Purchase of Apartment Community	696,219	1.0%	2014-2030	550,817
Business Activities Loan	Administrative Building Parcels	1,000,000	4.75%-Variable (Prime + 1.5%)	2014-2018	732,794
Capital Lease	Electronic Tenant Records System	<u>39,224</u>	-	2014-2015	<u>20,694</u>
Total		<u>\$ 35,970,443</u>			<u>\$ 17,644,305</u>

**Prior Years Defeasance**

During 2011, the Authority retired \$466,583 of debt during the year simultaneous with a partial defeasance of the 1998 Series Pooled Housing Refunding Revenue Bonds in the amount of \$6,175,000 resulting from the sale of the Eagles Lair, Evergreen Court, Lone Pine and Eagles Watch apartment projects.

During 2010, Housing Revenue Bonds in the amount of \$940,000 were defeased in connection with the sale of the Garden Court West apartments project.

During 2005, Housing Revenue Bonds in the amount of \$8,285,000 were defeased in connection with the sale of the Highland Park apartments project.

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

During 2003, Housing Revenue Bonds totaling \$30,685,000 were defeased in connection with the sale of the Park Meadows, Emerald Terrace, Park Village and Mallards Landing apartment projects. Also during 2003, the Authority exercised its option to fully prepay the amount of \$45,781 for the outstanding bond issued in 1992 for an administrative building.

During 2000, the Harbor Heights bonds totaling \$3,190,000 were defeased in connection with the sale of that property. Securities with a cost of approximately \$3,250,000 were placed in escrow to fund the advanced defeasance. The advance refunding met the requirements of an in-substance defeasance and the old bonds were removed from the Authority's financial statements. As of December 31, 2003 no bonds are outstanding.

On December 1, 1998 Pierce County Housing Authority issued Senior Revenue Bonds of \$31,140,000 and \$3,030,000 Subordinate bonds at par with an effective interest rate of 5.74%. These bonds were used to refinance existing short-term debt that was coming due and to defease other debt with higher interest rates and short term financing. Interest on the short-term debt ranges from 5.25% to 8%. The net proceeds were used to pay off debt, which was short-term, and or callable, or were placed in an irrevocable trust to defease the Bonds, which were not immediately available to be paid off. The US Government Securities purchased with the proceeds remained in trust until September 1, 2003, when the final bonds were called at par for the then outstanding bonds. The advance refunding met the requirements of an in-substance defeasance and the old bonds were removed from the Authority's financial statements. As of December 31, 2003 none of these bonds are outstanding.

Debt Service to Maturity

The balance of individual Housing Revenue Bonds and other Authority debt are as follows:

Issue	Rates	Principal Balance	Interest	Total Debt Service
Pooled Project A	5.64%-5.9%	\$ 15,535,000	\$ 8,642,625	\$ 24,177,625
Pooled Project B	6.0%	740,000	594,600	1,334,600
SHB 2060	0.0%	65,000	-	65,000
Rural Development Program Loan	1.0%	550,817	34,935	585,752
Administrative Building Loan	4.75%-Variable	732,794	131,683	864,477
Capital Lease	.0304 Lease Factor	20,694	-	20,694
Total		<u>\$ 17,644,305</u>	<u>\$ 9,403,843</u>	<u>\$ 27,048,148</u>

Due to the partial defeasance of the 1998 Series Pooled Housing Refunding Revenue Bonds in the amount of \$6,175,000 wherein the trustee selected which bonds were defeased, annual installments vary widely. Installments of principal and interest for the Pooled Project A Bonds range from \$396,000 in 2024 to \$2,180,000 in 2027. Installments the Pooled Project B Bonds is \$65,000 for 2014, interest only at \$44,400 per year until June 2023 at which time sinking fund payments are required. Sinking fund requirements for the Pooled Project B Bonds range from \$60,000 in 2025 to \$210,000 in 2028.

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

Installments for the Rural Development Program Loan approximate \$27,000 per year and installments for the Administrative Building Loan are \$102,000 per year. The Administrative Building loan has a variable interest rate which adjusts annually at the Prime Rate plus 1.5%. There are no scheduled installments for the SHB 2060 loan which is will be forgiven at the end of a 30 year term provided commitments of the loan agreement to use the project for eligible purposes were fulfilled.

Bond discounts included in the long-term portion of bonds and loans payable at December 31, 2013 is \$427,147, net of accumulated amortization of \$785,910. Deferred amount on refunding captured in Gain on Debt Refunding (net) in the statement of net position at December 31, 2013 is \$97,584, net of accumulated amortization of \$493,958

The Authority's debt service requirements to maturity are as follows:

Authority Wide Debt Service to Maturity

Year	Pooled Project A Revenue Bonds		Pooled Project B Revenue Bonds		SHB 2060 Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ -	\$ 902,045	\$ 75,000	\$ 44,400	\$ -	\$ -
2015	470,000	902,045	-	44,400	-	-
2016	1,045,000	860,941	-	44,400	-	-
2017	1,110,000	801,051	-	44,400	-	-
2018	1,175,000	737,348	-	44,400	-	-
2019-2023	5,020,000	3,022,605	-	222,000	-	-
2024-2028	6,715,000	1,416,590	665,000	150,600	-	-
2029-2033	-	-	-	-	-	-
2034-2038	-	-	-	-	-	-
2039-2042	-	-	-	-	65,000	-
Total	\$ 15,535,000	\$ 8,642,625	\$ 740,000	\$ 594,600	\$ 65,000	\$ -

Year	Rural Development Loan		Administrative Building Loan		Capital Lease
	Principal	Interest	Principal	Interest	
2014	\$ 19,080	\$ 9,210	\$ 68,675	\$ 33,325	\$ 13,080
2015	18,915	7,956	72,009	29,991	7,614
2016	20,258	6,614	75,504	26,496	-
2017	21,695	5,177	79,170	22,830	-
2018	23,235	3,637	437,436	19,041	-
2019-2023	143,371	2,341	-	-	-
2024-2028	201,987	-	-	-	-
2029-2033	102,276	-	-	-	-
2034-2038	-	-	-	-	-
2039-2042	-	-	-	-	-
Total	\$ 550,817	\$ 34,935	\$ 732,794	\$ 131,683	\$ 20,694

**PIERCE COUNTY HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2013**

---

Debt service requirements on the bond issues are paid from funds established pursuant to Board resolutions. Such bond funds are funded primarily from the net operating revenues of the respective housing projects on which the bonds are secured. These funds are used to accumulate sufficient amounts for debt service and are reflected as current restricted assets.

The bonds also have established debt service reserve funds that were funded from the original debt proceeds, and were subsequently modified in accordance with the confirmation of the Authority's Plan as described in Note 10. These debt service reserve funds are reflected as non-current restricted assets. While these bonds are subject to IRS arbitrage rules, no arbitrage liability exists at December 31, 2013.

**NOTE 5: LEASES**

Operating Leases

The Authority entered into a lease agreement for the maintenance of an electronic tenant records system. The total cost of the lease was \$19,740 for the year ended December 31, 2013. The future minimum lease payments for this lease are as follows:

	<u>Operating Lease</u>
Year	
2014	\$ 19,740
2015	11,515
Total	<u>\$ 31,255</u>

Capital Leases

The Authority entered into a lease agreement in 2012 to finance an electronic tenant records system with a down payment of \$50,000. This lease agreement qualifies as a capital lease for accounting purposes, therefore, has been recorded at present value of the future minimum lease payment as of the inception date.

The intangible asset acquired through the capital lease is as follows:

Electronic Tenant Records	
System	\$ 89,224
Less Accumulated	
Depreciation	(17,845)
Total	<u>\$ 71,379</u>

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2013 were as follows:

	<u>Capital Lease</u>
Year	
2014	\$ 13,080
2015	<u>7,614</u>
Total Minimum and Present Value of Lease Payments	<u>\$ 20,694</u>

The minor amount of financing charges is reflected in the operating lease portion. As a result there is no interest portion of this capital lease.

**NOTE 6: DEFINED BENEFIT PENSION PLAN**

Substantially all Pierce County Housing Authority 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 retirement plans. 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 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

**Public Employees' Retirement System (PERS) Plans 1, 2, and 3**

**Plan Description**

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Non-vested	44,273
Total	<u>263,347</u>

**Funding Policy**

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6%****	4.92%****	*****

\* The employer rates include the employer administrative expense fee currently set at 0.18%.

\*\* The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

\*\*\* Plan 3 defined benefit portion only.

\*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

\*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both Pierce County Housing Authority and the employees made the required contributions. The Authority's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	4,150	136,448	21,590
2012	3,667	126,191	14,745
2011	3,163	118,760	10,673

**NOTE 7: DEFERRED COMPENSATION PLAN**

The Authority offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code section 457. This plan, available to all regular full-time and part-time Authority employees are permitted to defer receipt of a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to the employee or their beneficiaries until termination, retirement, death or an unforeseeable emergency. The amounts of compensation deferred under the plan and all income attributable to these amounts are the sole property of the participant or their beneficiary. ING and DRS holds and invests these funds on behalf of the Authority's employees. No amounts related to this plan are reflected in these financial statements.

**NOTE 8: OTHER POST-EMPLOYMENT BENEFITS**

Prior to 2011, the Authority provided medical benefits through the Washington Counties Insurance Pool (WCIP). The plan provided medical, drug, and dental benefits to eligible retirees and their dependents. The eligible retirees were able to choose to participate in the plan and pay 100% of

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

the same premiums offered to active participants. Entities that belonged to the WCIP pool had an OPEB liability related to the implicit rate subsidy for insurance offered to retirees. The WCIP pool ended operations in 2010 and no longer incurs claims.

The medical plan offered to Authority employees through Washington Counties Insurance Fund (WCIF) through December 31, 2013 provided retiree benefits that are rated separately and rates are not subsidized by active employees, therefore, the Authority did not have other post-employment benefit liabilities.

The Authority changed its medical plan to those offered through the Public Employees Benefits Board on January 1, 2013. While the Authority will incur other post-employment liabilities in 2014, there is no liability at December 31, 2014.

**NOTE 9: INSURANCE**

Pierce County Housing Authority is currently a member of Housing Authority Risk Retention Group, Inc. (HARRG) and Housing Authority Insurance, Inc. (HAI) which is the Authority's primary supplier of General Commercial Liability and Commercial Property coverage, respectively. Darwin Select Insurance Company, a member of Allied World Assurance Company Holdings Ltd., provides the Public Officials and Employment Practices liability insurance coverage.

The Authority finances its various risks of loss through the payment of premiums to the organizations discussed above. The Authority handles its risk of property loss with insurance that covers building, contents and loss of rents in a coverage amount of estimated replacement value, with a deductible of \$25,000 for building losses and a deductible of \$25,000 for contents. Risk of loss from general liability is handled with general liability coverage, which provides for \$5,000,000 aggregate per occurrence coverage with a \$5,000 deductible. Coverage for errors and omissions provides \$2,000,000 of coverage per occurrence with a \$25,000 deductible. Coverage for employment practices liability provides \$2,000,000 of coverage per occurrence with a \$25,000 deductible. The Authority also carried employee dishonesty bonding for \$100,000 with a \$5,000 deductible.

The Authority has also purchased their Auto Liability, Auto Physical Damage and Excess Auto coverage's effective 11/1/2013, which carries a combined single limit of \$ 5,000,000 per occurrence.

HARRG is fully funded by member assessments that are adjusted annually by the HARRG Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment expenses, reinsurance and other administrative expenses. HARRG does not have the right to assess the membership for any shortfall in its funding. Such shortfalls are made up through future rate adjustments.

There were no litigation settlements that exceeded insurance, net of deductible amounts, for the periods from 2010 to 2013.

HARRG and HAPI are owned by their members and each member is asked to make an individual initial capital contribution upon entering the membership to each company of either 50% of their first year's premium or a minimum \$100 contribution. Pierce County Housing Authority has not contributed surplus to either company as of December 31, 2013.

**NOTE 10: DEBT SERVICE COVERAGE AND CAPITAL PROJECT COMMITMENTS**

The Authority is responsible under the individual bond covenants to maintain predetermined debt service coverage. All of the Apartments Program properties are debt financed as is disclosed in

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

Note 4. The debt instruments carry debt service coverage covenants. Such covenants require the authority to maintain net operating income for the project at prescribed levels exceeding total annual debt service for the bonds. Debt service coverage covenants were met for the Revenue bonds during 2013.

Bond covenants also set forth conditions for Special Redemption of the bonds resulting from Excess Revenues, wherein revenues for a period exceed the sum for that period of operation and maintenance costs, required debt service, rebate amounts, if any, amounts required to restore balances in the debt service reserve accounts to their respective reserve requirements and the cost of eligible maintenance expenses. During 2013, Excess Revenue was generated from the bond projects resulting in Special Redemption of the bonds in the amount of \$65,000 scheduled for payment on June 1, 2014. This amount is included in the current portion of long term liabilities in the statement of net position.

During the course of its operations, the Authority enters into commitments for various capital projects and major maintenance work. At December 31, 2013, there was approximately \$307,000 in commitments under these types of contracts.

**NOTE 11: ACCOUNTING AND REPORTING CHANGES**

In accordance with GASB 65, the Authority recorded a prior period adjustment to adjust for bond issue costs that were previously reported as an asset and re-captioned the line item capturing balances of deferred gains from refunding bonds on the statement of net position to Gain on Debt Refunding (net) .

**NOTE 12: BANKRUPTCY**

In connection with performing its operations, the Authority may occasionally be named as a defendant in litigation. During 2008, the Authority was named as a defendant in several claims regarding alleged personal injury incurred at one of its apartment complexes. This litigation is similar in nature to that which was settled during 2007 in the amount of \$750,000. The Authority management made efforts to settle the second group of claims during 2008 but was not successful.

Review of the nature and driving force of the claims, and the inability of the Authority to address all potential claims at one time, subsequently convinced the Authority management to take the prudent approach to file a voluntary petition under Chapter 9 of the Bankruptcy Code on October 13, 2008. The petition put a stay on the above referenced 2008 litigation, created a single forum where all alleged claims could be addressed, and allowed the Authority to send out notice to all possible claimants against the Authority so those claims could also be addressed.

Sections 903 and 904 of the Bankruptcy Code were designed to limit the bankruptcy court jurisdiction and authority over operations of the chapter 9 debtor, thus limiting the power of the bankruptcy court to "interfere with – (1) any of the political or governmental powers of the debtor; (2) any of the property or revenues of the debtor; or (3) the debtor's use or enjoyment of any income-producing property" unless the debtor consents or the plan so provides. That provision allowed the Authority's activities to continue with its day to day operations including fulfillment of its financial obligations.

On December 17, 2009, the bankruptcy court confirmed the Third Amended Plan for Adjustment of Debts of Pierce County Housing Authority (Plan). A copy of the Plan may be obtained by written request to the Authority at P.O. Box 45410, Tacoma, WA 98448-5410. The result of the Plan allowed the Authority to operate with no reduction in service levels.

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

The Plan classified secured and unsecured claims into five groups of claimants. The Plan provided for full payment of the three groups of secured claims representing notes and bonds payable. The fourth group is a class of unsecured claims with a remaining balance of approximately \$46,000. It will also be paid in full, through future rent offsets, and has been recorded as a liability.

For the remaining class of unsecured claims of approximately \$6 million, the Plan provided that claims would be paid under the fiduciary direction of a Post Confirmation Committee (PCC). The PCC is only able to pay claimants from a distribution account which is funded solely through proceeds of the sale of a vacant parcel of land owned by the Authority, or proceeds it may receive through the PCC pursuit of claims against the Authority's former legal counsel, insurance, and alleged causes of action against Pierce County and/or its insurance policies for coverage of claims asserted against the Authority. Furthermore, the Plan provided that administration of claims would be at no cost to the Authority, nor would the administration of claims cause the Authority to incur any expenses. As such, the subject land, with a cost value of \$23,000, was reclassified to assets held for sale, and recorded as liability. The excess amount of estimated net realizable value of the land, over the costs basis of \$61,000 was not recorded. In August 2012, the Authority sold this vacant land and all proceeds were forwarded to the PCC legal counsel.

Remaining amounts for these claims were never recorded by the Authority, so no liabilities were re-measured as a result of the court's decision and as such there were no gains or losses to record.

In May 2011, the Authority received proceeds from avoidance action settlements in the amount of \$31,000. Approximately \$26,100 was disbursed to the PCC legal counsel in accordance with the Plan.

In September 2012, the Authority presented a motion to the bankruptcy court requesting authorization of the abandonment of certain assets, comprised of alleged causes of action against third parties that, to the extent they ever existed, had expired due to the passage of the applicable statute of limitations; allowing all claims filed that had not been previously allowed or disallowed in the amount set forth by the claimant; determination that the case had been fully administered and closure of the case.

The Authority's motion asserted that the Eagles Watch Creditors (substantially all of the unsecured claims) were never clear in their articulation of the claims and causes of action they believed that the Authority held, and even based upon incomplete understanding of the claims and regardless of whether such claims actually existed and could have been pursued it was evident that any applicable statute of limitations had expired. The Authority's motion also proposed to allow each claim filed in order to finalize a single distribution to creditors.

On October 19, 2012, the bankruptcy court ordered that all claims would be allowed; all assets remaining under the Plan, to include any proceeds from the above land sale and remaining amounts previously collected from PCC avoidance action settlements as described above, and insurance claims and causes of actions as described in the Plan be transferred to the PCC and that the PCC may at its discretion administer, pursue or abandon any or all insurance claims and causes of action at no cost to the Authority. Furthermore, the bankruptcy ordered that the case should be closed and granted a discharge of the bankruptcy.

**NOTE 13: CONDUIT DEBT**

The Housing Authority has issued debt instruments for the purpose of providing capital financing for specific non-governmental entities, which are not a part of the Housing Authority's financial reporting entity. In general, the Housing Authority has issued conduit debt, but the Housing Authority is not responsible for the payment of the original debt. That debt is secured by a Multifamily Deed of Trust, Assignment of Rents and Security Agreement for the underlying

**PIERCE COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2013**

---

properties. Owners of the debt have no recourse to any revenues of the Housing Authority. The Housing Authority participated in the following transactions:

Name of Non-Governmental Entity Amount	Project Description	Date of Issue	Original Issue
Hidden Hills 2001, LP \$8,100,000	Acquisition and rehabilitation of Hidden Hills Apartments	January 1, 2002	
Sumner Commons, LP \$1,750,000	Acquisition of land and construction of Sumner Commons Apartments	December 20, 2002	

Pierce County Housing Authority  
Schedule of Expenditures of Federal Awards  
For The Year Ended December 31, 2013

Federal Agency / Pass-Through Entity	Federal Program Name	CFDA Number	Other ID Number	Pass-Through Awards	Direct Awards	Total
City of Lakewood	Community Development Block Grant	14.218	-	\$ 86,000	-	
<b>City of Lakewood Sub-Total</b>				<b>\$ 86,000</b>	<b>-</b>	<b>\$ 86,000</b>
US Department of Agriculture Rural Housing Service	Rural Rental Housing Loans	10.415	-		\$ 28,012	
US Department of Agriculture Rural Housing Service	Rural Rental Assistance Payments	10.427	-		75,675	
<b>US Department of Agriculture Rural Housing Service Sub-Total</b>				<b>-</b>	<b>\$ 103,687</b>	<b>\$ 103,687</b>
US Department of Housing and Urban Development	Public and Indian Housing	14.850	-		\$ 246,638	
US Department of Housing and Urban Development	LI HAP Section 8 Moderate Rehabilitation	14.856	-		83,037	
US Department of Housing and Urban Development	Section 8 Housing Choice Vouchers	14.871	-		19,912,822	
US Department of Housing and Urban Development	Public Housing Capital Fund Program	14.872	-		186,553	
<b>US Department of Housing and Urban Development Sub-Total</b>				<b>-</b>	<b>\$ 20,429,050</b>	<b>\$ 20,429,050</b>
<b>Total Assistance</b>				<b>\$ 86,000</b>	<b>\$ 20,532,737</b>	<b>\$ 20,618,737</b>

PIERCE COUNTY HOUSING AUTHORITY  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ending December 31, 2013

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.

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

Fiscal Year End: 12/31/2013

	Project Total	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers
111 Cash - Unrestricted	462,474	137,467	-	-	146,570
112 Cash - Restricted - Modernization and Development	15,770	63,066	-	-	-
113 Cash - Other Restricted	27,004	-	-	-	1,657,757
114 Cash - Tenant Security Deposits	40,086	4,950	-	-	-
115 Cash - Restricted for Payment of Current Liabilities	-	-	-	-	114,742
100 Total Cash	545,334	205,483	-	-	1,919,069
121 Accounts Receivable - PHA Projects	-	-	-	-	9,310
122 Accounts Receivable - HUD Other Projects	-	-	-	-	-
124 Accounts Receivable - Other Government	-	6,339	-	-	-
125 Accounts Receivable - Miscellaneous	-	-	-	-	-
126 Accounts Receivable - Tenants	14,048	644	-	-	-
126.1 Allowance for Doubtful Accounts - Tenants	(13,621)	(644)	-	-	-
126.2 Allowance for Doubtful Accounts - Other	-	-	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current	1,431	-	-	-	-
128 Fraud Recovery	-	-	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-
129 Accrued Interest Receivable	-	-	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	1,858	6,339	-	-	9,310
131 Investments - Unrestricted	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-
135 Investments - Restricted for Payment of Current Liability	-	-	-	-	-
142 Prepaid Expenses and Other Assets	-	-	-	-	-
143 Inventories	-	-	-	-	-
143.1 Allowance for Obsolete Inventories	-	-	-	-	-
144 Inter Program Due From	-	-	-	-	-
145 Assets Held for Sale	-	-	-	-	-
150 Total Current Assets	547,192	211,822	-	-	1,928,379
161 Land	2,044,161	90,100	-	-	-
162 Buildings	10,014,254	569,568	-	-	-
163 Furniture, Equipment & Machinery - Dwellings	390,438	44,138	-	-	-

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

Fiscal Year End: 12/31/2013

	Project Total	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers
164 Furniture, Equipment & Machinery - Administration	101,418	-	-	-	85,195
165 Leasehold Improvements	-	-	-	-	-
166 Accumulated Depreciation	(4,941,662)	(210,445)	-	-	(52,580)
167 Construction in Progress	-	-	-	-	-
168 Infrastructure	-	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	7,608,609	493,361	-	-	32,615
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-
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	7,608,609	493,361	-	-	32,615
190 Total Assets	8,155,801	705,183	-	-	1,960,994
200 Deferred Outflow of Resources	-	-	-	-	-
290 Total Assets and Deferred Outflow of Resources	8,155,801	705,183	-	-	1,960,994
311 Bank Overdraft	-	-	-	-	-
312 Accounts Payable <= 90 Days	-	-	-	-	-
313 Accounts Payable >90 Days Past Due	-	-	-	-	-
321 Accrued Wage/Payroll Taxes Payable	-	-	-	-	-
322 Accrued Compensated Absences - Current Portion	13,146	-	-	-	39,866
324 Accrued Contingency Liability	-	-	-	-	-
325 Accrued Interest Payable	-	1,635	-	-	-
331 Accounts Payable - HUD PHA Programs	-	-	-	-	-
332 Account Payable - PHA Projects	-	-	-	-	-
333 Accounts Payable - Other Government	-	-	-	-	-
341 Tenant Security Deposits	40,086	4,950	-	-	-
342 Unearned Revenue	-	207	-	-	-
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	19,080	-	-	-

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

Fiscal Year End: 12/31/2013

	Project Total	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-
345 Other Current Liabilities	4,150	-	-	-	39,680
346 Accrued Liabilities - Other	42,659	199	-	-	157,910
347 Inter Program - Due To	-	-	-	-	-
348 Loan Liability - Current	-	-	-	-	-
310 Total Current Liabilities	100,041	26,071	-	-	237,456
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	531,737	-	-	-
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-
353 Non-current Liabilities - Other	28,034	188	-	-	112,837
354 Accrued Compensated Absences - Non Current	6,473	-	-	-	19,631
355 Loan Liability - Non Current	-	-	-	-	-
356 FASB 5 Liabilities	-	-	-	-	-
357 Accrued Pension and OPEB Liabilities	-	-	-	-	-
350 Total Non-Current Liabilities	34,507	531,925	-	-	132,468
300 Total Liabilities	134,548	557,996	-	-	369,924
400 Deferred Inflow of Resources	-	-	-	-	-
508.4 Net Investment in Capital Assets	7,608,609	(57,456)	-	-	32,615
511.4 Restricted Net Position	15,770	63,068	-	-	1,591,070
512.4 Unrestricted Net Position	396,874	141,575	-	-	(32,615)
513 Total Equity - Net Assets / Position	8,021,253	147,187	-	-	1,591,070
600 Total Liab, Def. Inflow of Res., and Equity - Net Assets / Position	8,155,801	705,183	-	-	1,960,994

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

	8 Other Federal Program 1	1 Business Activities	14,856 Lower Income Housing Assistance Program_Section 8 Moderate	Elimination	Total
111 Cash - Unrestricted	665,605	861,515	107,706		2,381,337
112 Cash - Restricted - Modernization and Development	-	5,307,975	-		5,386,811
113 Cash - Other Restricted	-	-	-		1,684,761
114 Cash - Tenant Security Deposits	-	131,209	-		176,245
115 Cash - Restricted for Payment of Current Liabilities	-	12,895	-		127,637
100 Total Cash	665,605	6,313,594	107,706		9,756,791
121 Accounts Receivable - PHA Projects	-	-	-		9,310
122 Accounts Receivable - HUD Other Projects	-	-	71		71
124 Accounts Receivable - Other Government	-	55,020	-		61,359
125 Accounts Receivable - Miscellaneous	-	8,137	-		8,137
126 Accounts Receivable - Tenants	-	38,240	-		52,932
126.1 Allowance for Doubtful Accounts - Tenants	-	(19,369)	-		(33,634)
126.2 Allowance for Doubtful Accounts - Other	-	-	-		-
127 Notes, Loans, & Mortgages Receivable - Current	9,996	-	-		11,427
128 Fraud Recovery	-	-	-		-
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-		-
129 Accrued Interest Receivable	248	34,552	-		34,800
120 Total Receivables, Net of Allowances for Doubtful Accounts	10,244	116,580	71		144,402
131 Investments - Unrestricted	-	110,407	-		110,407
132 Investments - Restricted	-	2,209,225	-		2,209,225
135 Investments - Restricted for Payment of Current Liability	-	558,851	-		558,851
142 Prepaid Expenses and Other Assets	-	59,906	-		59,906
143 Inventories	-	13,192	-		13,192
143.1 Allowance for Obsolete Inventories	-	-	-		-
144 Inter Program Due From	-	-	-		-
145 Assets Held for Sale	-	-	-		-
150 Total Current Assets	675,849	9,381,755	107,777		12,852,774
161 Land	-	3,199,856	-		5,334,117
162 Buildings	-	23,524,729	-		34,108,551
163 Furniture, Equipment & Machinery - Dwellings	-	1,967,383	-		2,401,959

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

	8 Other Federal Program 1	1 Business Activities	14,856 Lower Income Housing Assistance Program_Section 8 Moderate	Elimination	Total
164 Furniture, Equipment & Machinery - Administration	-	656,496	-	-	843,109
165 Leasehold Improvements	-	-	-	-	-
166 Accumulated Depreciation	-	(11,286,736)	-	-	(16,491,423)
167 Construction in Progress	-	718,449	-	-	718,449
168 Infrastructure	-	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	-	18,780,177	-	-	26,914,762
171 Notes, Loans and Mortgages Receivable - Non-Current	1,079,773	50,000	-	-	1,129,773
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	1,079,773	18,830,177	-	-	28,044,535
190 Total Assets	1,755,622	28,211,932	107,777	-	40,897,309
200 Deferred Outflow of Resources	-	97,584	-	-	97,584
290 Total Assets and Deferred Outflow of Resources	1,755,622	28,309,516	107,777	-	40,994,893
311 Bank Overdraft	-	-	-	-	-
312 Accounts Payable <= 90 Days	-	413,802	-	-	413,802
313 Accounts Payable >90 Days Past Due	-	-	-	-	-
321 Accrued Wage/Payroll Taxes Payable	-	74,924	-	-	74,924
322 Accrued Compensated Absences - Current Portion	-	42,941	-	-	95,953
324 Accrued Contingency Liability	-	-	-	-	-
325 Accrued Interest Payable	-	78,870	-	-	80,505
331 Accounts Payable - HUD PHA Programs	-	-	-	-	-
332 Account Payable - PHA Projects	-	-	-	-	-
333 Accounts Payable - Other Government	-	-	-	-	-
341 Tenant Security Deposits	-	131,209	-	-	176,245
342 Unearned Revenue	-	-	-	-	207
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	146,755	-	-	165,835

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

	8 Other Federal Program 1	1 Business Activities	14,856 Lower Income Housing Assistance Program, Section 8 Moderate	Elimination	Total
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-
345 Other Current Liabilities	-	255,111	-	-	298,941
346 Accrued Liabilities - Other	-	73,268	-	-	274,036
347 Inter Program - Due To	-	-	-	-	-
348 Loan Liability - Current	-	-	-	-	-
310 Total Current Liabilities	-	1,216,880	-	-	1,580,448
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	16,519,586	-	-	17,051,323
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-
353 Non-current Liabilities - Other	-	207,716	-	-	348,775
354 Accrued Compensated Absences - Non Current	-	21,135	-	-	47,239
355 Loan Liability - Non Current	-	-	-	-	-
356 FASB 5 Liabilities	-	-	-	-	-
357 Accrued Pension and OPEB Liabilities	-	-	-	-	-
350 Total Non-Current Liabilities	-	16,748,437	-	-	17,447,337
300 Total Liabilities	-	17,965,317	-	-	19,027,785
400 Deferred Inflow of Resources	-	-	-	-	-
508.4 Net Investment in Capital Assets	-	2,211,420	-	-	9,795,188
511.4 Restricted Net Position	-	7,698,019	-	-	9,367,927
512.4 Unrestricted Net Position	1,755,622	434,760	107,777	-	2,803,993
513 Total Equity - Net Assets / Position	1,755,622	10,344,199	107,777	-	21,967,108
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	1,755,622	28,309,516	107,777	-	40,994,893

HA Of Pierce County (WA054)

TACOMA, WA

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2013

	Project Total	10.415 Rural Rental Housing Loans	14.218 HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-WASH) PROGRAM	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants
70300 Net Tenant Rental Revenue	394,676	133,363			
70400 Tenant Revenue - Other	26,022	7,970			
70500 Total Tenant Revenue	420,698	141,333	-	-	-
70600 HUD PHA Operating Grants	433,191	-	626,625	-	-
70610 Capital Grants	-	28,012	-	-	86,000
70800 Other Government Grants	-	-		77,914	-
71100 Investment Income - Unrestricted	458	42		-	-
71200 Mortgage Interest Income	-	-		-	-
71400 Fraud Recovery	-	-		-	-
71500 Other Revenue	-	-		-	-
71600 Gain or Loss on Sale of Capital Assets	(34,049)	-		-	-
72000 Investment Income - Restricted	40	21		-	-
70000 Total Revenue	820,338	169,408	626,625	77,914	86,000
91100 Administrative Salaries	153,185	-		-	-
91200 Auditing Fees	8,677	8,712		-	-
91300 Management Fee	-	12,626		-	-
91400 Advertising and Marketing	-	338		-	-
91500 Employee Benefit contributions - Administrative	48,332	-		-	-
91600 Office Expenses	3,500	32		-	-
91700 Legal Expense	-	-		-	-
91800 Travel	4,858	-		-	-
91810 Allocated Overhead	25,566	-		-	-
91000 Total Operating - Administrative	244,118	21,708	-	-	-
92400 Tenant Services - Other	-	-		-	-
92500 Total Tenant Services	-	-		-	-

	Project Total	10.415 Rural Rental Housing Loans	VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD- WASH) PROGRAM	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants
93100 Water	3,845	1,453	-	-	-
93200 Electricity	2,472	1,823	-	-	-
93600 Sewer	606	9,508	-	-	-
93800 Other Utilities Expense	-	13,337	-	-	-
93000 Total Utilities	6,923	26,121	-	-	-
94100 Ordinary Maintenance and Operations - Labor	167,656	8,920	-	-	-
94200 Ordinary Maintenance and Operations - Materials and Other	60,253	3,017	-	-	-
94300 Ordinary Maintenance and Operations Contracts	86,832	7,010	-	-	-
94500 Employee Benefit Contributions - Ordinary Maintenance	65,635	3,496	-	-	-
94000 Total Maintenance	380,376	22,443	-	-	-
96110 Property Insurance	11,898	1,055	-	-	-
96120 Liability Insurance	11,567	1,785	-	-	-
96130 Workmen's Compensation	12,543	556	-	-	-
96140 All Other Insurance	40	402	-	-	-
96100 Total Insurance Premiums	36,048	3,798	-	-	-
96200 Other General Expenses	48,233	842	-	-	-
96210 Compensated Absences	25	-	-	-	-
96300 Payments in Lieu of Taxes	41,378	-	-	-	-
96400 Bad debt - Tenant Rents	31,208	399	-	-	-
96600 Bad debt - Other	-	-	-	-	-
96000 Total Other General Expenses	120,844	1,241	-	-	-
96710 Interest of Mortgage (or Bonds) Payable	-	38,297	-	-	-
96720 Interest on Notes Payable (Short and Long Term)	7,076	-	-	-	-
96730 Amortization of Bond Issue Costs	-	-	-	-	-
96700 Total Interest Expense and Amortization Cost	7,076	38,297	-	-	-
96900 Total Operating Expenses	795,385	113,608	-	-	-

HA Of Pierce County (WA054)

TACOMA, WA

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2013

	Project Total	10.415 Rural Rental Housing Loans	14.218 HUD- VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD- WASH) PROGRAM	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants
97000 Excess of Operating Revenue over Operating Expenses	24,953	55,800	626,625	77,914	86,000
97300 Housing Assistance Payments	-	-	653,867	79,170	-
97350 HAP Portability-In	-	-	-	-	-
97400 Depreciation Expense	321,181	16,166	-	-	-
90000 Total Expenses	1,116,566	129,774	653,867	79,170	-
10010 Operating Transfer In	186,553	-	-	-	-
10020 Operating transfer Out	(186,553)	-	-	-	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(296,228)	39,634	(27,242)	(1,256)	86,000
11020 Required Annual Debt Principal Payments	-	15,074	-	-	-
11030 Beginning Equity	8,317,481	108,809	-	-	-
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	(1,256)	27,242	1,256	(86,000)
11170 Administrative Fee Equity	-	-	-	-	-
11180 Housing Assistance Payments Equity	-	-	-	-	-
11190 Unit Months Available	1,522	240	1,485	240	-
11210 Number of Unit Months Leased	1,510	236	1,166	236	-
11270 Excess Cash	338,096	-	-	-	-
11620 Building Purchases	124,200	-	-	-	-
11630 Furniture & Equipment - Dwelling Purchases	35,351	-	-	-	-

	14.871 Housing Choice Vouchers	8 Other Federal Program 1	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Total
70300 Net Tenant Rental Revenue			5,186,455	-	5,714,494
70400 Tenant Revenue - Other			213,091	-	247,083
70500 Total Tenant Revenue	-	-	5,399,546	-	5,961,577
70600 HUD PHA Operating Grants	19,286,197	-	-	83,037	20,429,050
70610 Capital Grants	-	-	-	-	114,012
70800 Other Government Grants	-	-	-	-	77,914
71100 Investment Income - Unrestricted	-	718	61,787	67	63,072
71200 Mortgage Interest Income	-	3,592	-	-	3,592
71400 Fraud Recovery	45,792	-	-	-	45,792
71500 Other Revenue	1,612,808	-	193,245	-	1,806,053
71600 Gain or Loss on Sale of Capital Assets	-	-	(267,550)	-	(301,599)
72000 Investment Income - Restricted	2,371	-	413,500	-	415,932
70000 Total Revenue	20,947,168	4,310	5,800,528	83,104	28,615,395
91100 Administrative Salaries	978,666	17,442	204,641	2,874	1,356,808
91200 Auditing Fees	52,432	1,381	23,829	346	95,377
91300 Management Fee	-	-	-	-	12,626
91400 Advertising and Marketing	-	-	16,126	-	16,464
91500 Employee Benefit contributions - Administrative	298,626	6,226	65,055	791	419,030
91600 Office Expenses	10,387	-	43,982	-	57,901
91700 Legal Expense	-	-	33,544	-	33,544
91800 Travel	-	-	-	-	4,858
91810 Allocated Overhead	230,654	2,586	195,385	1,230	455,421
91000 Total Operating - Administrative	1,570,765	27,635	582,562	5,241	2,452,029
92400 Tenant Services - Other	-	-	9,233	-	9,233
92500 Total Tenant Services	-	-	9,233	-	9,233

	14.871 Housing Choice Vouchers	8 Other Federal Program 1	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Total
93100 Water	-	-	163,216	-	168,514
93200 Electricity	-	-	98,611	-	102,906
93600 Sewer	-	-	308,742	-	318,856
93800 Other Utilities Expense	-	-	5,324	-	18,661
93000 Total Utilities	-	-	575,893	-	608,937
94100 Ordinary Maintenance and Operations - Labor	-	-	676,453	-	853,029
94200 Ordinary Maintenance and Operations - Materials and Other	-	-	209,163	-	272,433
94300 Ordinary Maintenance and Operations Contracts	-	-	552,171	-	646,013
94500 Employee Benefit Contributions - Ordinary Maintenance	-	-	236,074	-	305,205
94000 Total Maintenance	-	-	1,673,861	-	2,076,680
96110 Property Insurance	1,291	-	34,976	-	49,220
96120 Liability Insurance	89,995	1,018	59,157	276	163,798
96130 Workmen's Compensation	6,657	106	40,220	-	60,082
96140 All Other Insurance	-	-	13,288	-	13,730
96100 Total Insurance Premiums	97,943	1,124	147,641	276	286,830
96200 Other General Expenses	114,133	486	73,215	120	237,029
96210 Compensated Absences	-	1,016	15,979	7	17,027
96300 Payments in Lieu of Taxes	-	-	-	-	41,378
96400 Bad debt - Tenant Rents	-	-	93,971	-	125,578
96600 Bad debt - Other	-	360	-	-	360
96000 Total Other General Expenses	114,133	1,862	183,165	127	421,372
96710 Interest of Mortgage (or Bonds) Payable	-	-	984,439	-	1,022,736
96720 Interest on Notes Payable (Short and Long Term)	12,793	6	14,173	-	34,048
96730 Amortization of Bond Issue Costs	-	-	42,406	-	42,406
96700 Total Interest Expense and Amortization Cost	12,793	6	1,041,018	-	1,099,190
96900 Total Operating Expenses	1,795,634	30,627	4,213,373	5,644	6,954,271

HA Of Pierce County (WA054)

TACOMA, WA

Entity Wide Revenue and Expense Summary

	14.871 Housing Choice Vouchers	8 Other Federal Program 1	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Total
97000 Excess of Operating Revenue over Operating Expenses	19,151,534	(26,317)	1,587,155	77,460	21,661,124
97300 Housing Assistance Payments	18,025,720	-	-	73,008	18,831,765
97350 HAP Portability-In	1,500,464	-	-	-	1,500,464
97400 Depreciation Expense	72,715	-	888,472	-	1,298,534
90000 Total Expenses	21,394,533	30,627	5,101,845	78,652	28,585,034
10010 Operating Transfer In	181,987	-	-	-	368,540
10020 Operating transfer Out	-	-	(181,987)	-	(368,540)
10100 Total Other financing Sources (Uses)	181,987	-	(181,987)	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(265,378)	(26,317)	516,696	4,452	30,361
11020 Required Annual Debt Principal Payments	-	-	1,159,278	-	1,174,352
11030 Beginning Equity	1,883,691	1,781,939	9,797,182	103,325	21,992,427
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	(27,242)	-	30,321	-	(55,679)
11170 Administrative Fee Equity	-	-	-	-	-
11180 Housing Assistance Payments Equity	1,591,070	-	-	-	1,591,070
11190 Unit Months Available	31,596	-	8,040	192	43,315
11210 Number of Unit Months Leased	27,454	-	7,520	184	38,306
11270 Excess Cash	-	-	-	-	338,096
11620 Building Purchases	-	-	-	-	124,200
11630 Furniture & Equipment - Dwelling Purchases	-	-	-	-	35,351

# Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 12/31/2011)

Comprehensive Improvement Assistance Program (CIAP)  
Comprehensive Grant Program (CGP)

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

Do not send this form to the above address.

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

HA Name:

Pierce County Housing Authority

Modernization Project Number:

WA19P054501-13

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

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

A. Original Funds Approved	\$	164,856.00
B. Funds Disbursed	\$	164,856.00
C. Funds Expended (Actual Modernization Cost)	\$	164,856.00
D. Amount to be Recaptured (A-C)	\$	-0-
E. Excess of Funds Disbursed (B-C)	\$	-0-

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

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

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

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

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

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

Signature of Executive Director & Date:

X

Karen Hull

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

Date:

X

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

Date:

X

Approved: (Director, Office of Public Housing / ONAP Administrator)

Date:

X

form HUD-53001 (10/96)  
ref Handbooks 7485.1 & 3

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>