



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Pierce County Community Development Corporation

For the period January 1, 2020 through December 31, 2021

Published September 22, 2022

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

September 22, 2022

Board of Directors
Pierce County Community Development Corporation
Tacoma, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Pierce County Community Development Corporation January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the business-type activities and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 Corporation.

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 Corporation’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.218	CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Corporation qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Pierce County Community Development Corporation January 1, 2020 through December 31, 2021

Board of Directors
Pierce County Community Development Corporation
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 business-type activities and the aggregate remaining fund information of the Pierce County Community Development Corporation, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 14, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation'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 above 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 or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 14, 2022

INDEPENDENT AUDITOR'S REPORT

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

Pierce County Community Development Corporation January 1, 2021 through December 31, 2021

Board of Directors
Pierce County Community Development Corporation
Tacoma, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Pierce County Community Development Corporation, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2021. The Corporation's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Corporation 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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also

serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Pat McCarthy". The signature is written in black ink and is positioned above the printed name.

Pat McCarthy, State Auditor

Olympia, WA

September 14, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Pierce County Community Development Corporation January 1, 2020 through December 31, 2021

Board of Directors
Pierce County Community Development Corporation
Tacoma, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of business-type activities and the aggregate remaining fund information of the Pierce County Community Development Corporation, as of years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Pierce County Community Development Corporation, as of December 31, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 10 to the 2021 financial statements, as a result of the COVID-19 pandemic,

the full extent of the direct or indirect financial impact on the Corporation is unknown at this time. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is 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 14, 2022 on our consideration of the Corporation'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 the effectiveness of the Corporation's 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 Corporation's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 14, 2022

FINANCIAL SECTION

Pierce County Community Development Corporation January 1, 2020 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2021 and 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – Proprietary Fund – 2021 and 2020

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds –
2021 and 2020

Statement of Cash Flows – Proprietary Funds – 2021 and 2020

Statement of Fiduciary Net Position – 2021 and 2020

Statement of Changes in Fiduciary Net Position – 2021 and 2020

Notes to Financial Statements – 2021 and 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2021 and 2020

Notes to the Schedule of Expenditures of Federal Awards – 2021 and 2020

Pierce County Community Development Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2021, and 2020

The management's discussion and analysis are intended to serve as an introduction to the basic financial statements of the Pierce County Community Development Corporation (CDC). The financial statements provide an overview of financial activities for the fiscal year ended December 31, 2021. It should be read in conjunction with the accompanying financial statements, schedules, and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- Net position as of December 31, 2021, totaled \$38.1 million.
- In 2021, the CDC received \$901,130 in grant revenues.
- In 2021, the CDC business address changed from 1305 Tacoma Avenue S., Suite 104, Tacoma, WA 98402, to 3602 Pacific Avenue, Suite 200, Tacoma, WA 98418.
- In 2021, the CDC entered an agreement with Pierce County Planning and Public Works (PPW) for Residential Side Sewer Repair Conservation Loan Program and Residential Dry Sewer Line Loan Program.
- In 2018 CDC used prepaid expense account for allocating prepaid expenses such as monthly insurance premiums. Previously they were booked and allocated from the insurance expense account.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented include all the activities of the CDC as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments. The report is comprised of three components: proprietary fund financial statements, fiduciary fund financial statements and notes to the financial statements. Notes to the financial statements provide additional information that is essential to a full understanding of the data presented. The report also includes other supplementary information designed to enable the reader to gain maximum understanding of the CDC's financial activities.

Fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The CDC, like other governmental agencies, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All the funds of the CDC are classified as proprietary or fiduciary funds.

Proprietary funds are used to report business-type activities. For financial statement purposes, all proprietary funds have been aggregated.

Resources held for the benefit of parties outside the CDC are accounted for in a fiduciary fund. Because the resources of those funds are not available to support CDC programs, fiduciary funds are not reflected in the proprietary fund statements. The accounting used for the fiduciary funds is the same as that used for the proprietary funds.

Pierce County Community Development Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2021, and 2020

CONDENSED COMPARATIVE FINANCIAL DATA

Shown below are condensed versions of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position for proprietary operations.

A. STATEMENT OF NET POSITION

The following table shows the changes in assets, liabilities, and net position from 2021 to 2019. The Statement of Net Position, presented in the following section, depicts the financial standing of the CDC as of December 31, 2021, 2020 and 2019, and includes the results of all activities presented in the Statement of Revenues, Expenses and Changes in Fund Net Position.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Current Assets	\$ 8,035,689	\$ 6,366,287	\$ 7,338,153
Noncurrent Assets	<u>31,598,877</u>	<u>33,016,153</u>	<u>32,934,482</u>
TOTAL ASSETS	<u>39,634,566</u>	<u>39,382,440</u>	<u>40,272,636</u>
LIABILITIES			
Current Liabilities	1,202,822	681,145	1,098,211
Noncurrent Liabilities	<u>293,312</u>	<u>391,792</u>	<u>429,125</u>
TOTAL LIABILITIES	<u>1,496,133</u>	<u>1,072,937</u>	<u>1,527,336</u>
NET POSITION			
Unrestricted	<u>38,138,433</u>	<u>38,309,503</u>	<u>38,745,300</u>
TOTAL NET POSITION	<u>\$ 38,138,433</u>	<u>\$ 38,309,503</u>	<u>\$ 38,745,300</u>

B. STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

This table summarizes the Statement of Revenues, Expenses and Changes in Fund Net Position presented in detail in the following section:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES			
Operating:			
Loan Interest Income	\$ 171,949	\$ 230,363	\$ 236,336
Other Operating Revenue	69,609	88,553	72,843
Nonoperating:			
Grant Income	<u>901,130</u>	<u>893,611</u>	<u>1,423,111</u>
TOTAL REVENUES	<u>1,142,687</u>	<u>1,212,528</u>	<u>1,732,289</u>
TOTAL EXPENSES	<u>(1,402,707)</u>	<u>(1,676,212)</u>	<u>(1,268,030)</u>
CHANGE IN NET POSITION	(260,019)	(463,685)	464,260
NET POSITION, Beginning of Year	<u>38,309,503</u>	<u>38,745,300</u>	<u>38,281,040</u>
PRIOR PERIOD ADJUSTMENT	88,950	27,887	
NET POSITION, End of Year	<u>\$ 38,138,433</u>	<u>\$ 38,309,503</u>	<u>\$ 38,745,300</u>

Pierce County Community Development Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2021, and 2020

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Current assets increased from 2020 to 2021 by \$1,669,402 or 26%. The change is driven by the increase in Cash and Cash Equivalents account. Noncurrent assets decreased from 2020 to 2021 by \$1,417,276 which is 4%.

Current liabilities increased from 2020 to 2021 by \$521,677 or 77%. As in prior years, this was due to the change in the borrowers' clearing accounts. Borrowers' clearings represent funds obligated to be paid out for rehabilitation projects and can fluctuate dramatically from year to year depending on the amount and type of projects in progress at the end of the reporting period.

Non-operating revenues, which consist entirely of grant funds, increased by \$7,518 or 1% from 2020 to 2021. This change is mainly due to the higher amount of entitlement draws during 2021.

Total non-operating expenses decreased from 2020 to 2021 by \$413,092.70 or 52%. This decrease was driven by the lower program income draw during 2021.

Total expenses did exceed the total revenue in 2021.

FUND ANALYSIS

Total fund net position decreased by \$171,070 or 0.45% in 2021. This is mainly due to the higher operating expenses compared to the previous year, 2020.

BUDGET VARIANCES

The CDC's managers, directors and fiscal personnel considered many factors when setting the 2021 budget. The preliminary budget was evaluated by management and reviewed by board members. Total appropriations were higher than expected at \$205,110; the primary expense that was lower were bad debt. Actual non-operating revenues and expenses were lower than anticipated at \$990,079 and \$386,854 respectively, due primarily to the lower loan expenditure disbursement in 2021. There were no other variances between the final budget and actual expenditures which would significantly affect either future services or liquidity.

LONG-TERM DEBT ACTIVITY

Total long-term debt on December 31, 2021, was \$293,312, consisting entirely of funds due to Pierce County Public Works for septic repair loans. This is a decrease from the previous year-end balance of \$391,792. These funds represent loans administered by the CDC in a cooperative agreement with Pierce County Public Works & Utilities, the Tacoma Pierce County Health Department, and the Washington State Department of Ecology. For more detailed information, please see the notes to the financial statements.

Pierce County Community Development Corporation
Management's Discussion and Analysis
For the Year Ended December 31, 2021, and 2020

CONTACTING MANAGEMENT

This financial report is designed to provide citizens, housing assistance clients, businesses, and creditors with a general overview of the CDC's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information, should be directed to the accounting department at Pierce County Community Development Corporation, 3602 Pacific Avenue, Suite 200, Tacoma, WA 98418.

**PIERCE COUNTY COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND**

**As of December 31, 2021
(With Comparative Totals for 2020)**

	2021	2020
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 4,964,308	\$ 3,283,047
Loans Receivable (net of accum. Amortization)	2,268,395	2,157,368
Interest Receivable - Installment	7,295	16,979
Pending Project Costs	23,399	12,081
Prepaid Expenses	14,859	2,131
Grants Receivable	644,983	508,100
Other Receivables	112,451	386,581
Total Current Assets	<u>8,035,689</u>	<u>6,366,287</u>
Noncurrent Assets		
Loans Receivable (net of accum. Amortization)	30,195,724	31,526,511
Interest Receivable - Other	1,403,153	1,489,642
Total Noncurrent Assets	<u>31,598,877</u>	<u>33,016,153</u>
TOTAL ASSETS	<u>39,634,566</u>	<u>39,382,440</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>	<u>0</u>
LIABILITIES		
Current Liabilities		
Borrower's Clearings	903,485	512,504
Accrued Contracted Services- Payroll Liabilities	107,135	114,245
Accrued Other Liabilities	32,960	39,876
Other Current Liabilities	159,241	14,520
Total Current Liabilities	<u>1,202,822</u>	<u>681,145</u>
Noncurrent Liabilities		
Due to Public Works	293,312	391,792
TOTAL LIABILITIES	<u>1,496,133</u>	<u>1,072,937</u>
DEFERRED INFLOWS OF RESOURCES	<u>0</u>	<u>0</u>
NET POSITION		
Unrestricted	<u>38,138,433</u>	<u>38,309,503</u>
TOTAL NET POSITION	<u><u>\$ 38,138,433</u></u>	<u><u>\$ 38,309,503</u></u>

**PIERCE COUNTY COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

**For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUE		
Loan Interest Income	\$ 171,949	\$ 230,363
Loan Fees	144	1,837
Other Revenue	<u>69,464</u>	<u>86,716</u>
TOTAL OPERATING REVENUE	<u>241,558</u>	<u>318,916</u>
OPERATING EXPENSES		
Contracted Services - Payroll	653,959	596,075
Professional Services	9,290	29,070
Supplies	9,289	5,468
Other Operating Expenses	93,801	90,388
Insurance Expense	24,018	23,317
Rent Expense	1,216	4,534
Board Stipends	2,800	2,695
Amortization Expense	35,172	31,958
Bad Debt Expense	117,347	9,015
Other Program Costs	3,958	2,176
CDC Portion of County Overhead	65,002	79,223
Admin Grant Expense	<u>0</u>	<u>2,346</u>
TOTAL OPERATING EXPENSES	<u>1,015,852</u>	<u>876,266</u>
EXCESS OPERATING REVENUE (EXPENSE)	<u>(774,295)</u>	<u>(557,349)</u>
NONOPERATING REVENUE		
Grant Income	<u>901,130</u>	<u>893,611</u>
TOTAL NONOPERATING REVENUE	<u>901,130</u>	<u>893,611</u>
NONOPERATING EXPENSES		
Grant Expense	<u>386,854</u>	<u>799,947</u>
TOTAL NONOPERATING EXPENSES	<u>386,854</u>	<u>799,947</u>
EXCESS NONOPERATING REVENUE (EXPENSE)	<u>514,276</u>	<u>93,665</u>
CHANGE IN NET POSITION	<u>(260,019)</u>	<u>(463,685)</u>
TOTAL NET POSITION-BEGINNING OF YEAR	38,309,503	38,745,300
PRIOR PERIOD ADJUSTMENT	<u>88,950</u>	<u>27,887</u>
TOTAL NET POSITION-END OF YEAR	<u>\$ 38,138,433</u>	<u>\$ 38,309,503</u>

PIERCE COUNTY COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Receipts from loan principal repayments	\$ 2,366,284	\$ 1,744,875
Receipts from loan interest	171,949	230,363
Receipts from loan fees	144	1,837
Receipts from other revenues	69,464	86,716
Payments for development projects	(401,433)	(1,375,087)
Payments for employee services	(653,959)	(596,075)
Payments for professional services	(14,689)	(46,956)
Payments for administrative expenses	(224,360)	(283,348)
Net cash provided (used) by operating activities	<u>1,313,400</u>	<u>(237,675)</u>
Cash Flows from Noncapital Financing Activities:		
Grant revenues	466,342	107,130
Loan proceeds	(98,481)	(37,333)
Net cash provided by noncapital financing activities	<u>367,862</u>	<u>69,797</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,681,262	(167,878)
Cash and cash equivalents, beginning of year	3,283,047	3,450,924
Cash and cash equivalents, end of year	<u>\$ 4,964,309</u>	<u>\$ 3,283,047</u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

	<u>2021</u>	<u>2020</u>
Operating Loss	(774,295)	(557,349)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Change in Assets and Liabilities:		
Loans receivable (net of accumulated amortization)	1,219,760	602,380
Interest receivable - Installment	9,684	(1,486)
Pending project costs	(11,317)	415,921
Prepaid expenses	(12,728)	(1,034)
Other receivables	274,130	(290,280)
Interest receivable - other	86,489	11,238
Borrowers' clearings	390,981	(346,650)
Accrued payroll liabilities	(7,110)	(52,746)
Accrued other liabilities	(6,915)	(19,960)
Other current liabilities	144,721	2,289
Total Adjustments	<u>2,087,695</u>	<u>319,674</u>
Net cash provided (used) by operating activities	<u>\$ 1,313,400</u>	<u>\$ (237,675)</u>

PIERCE COUNTY COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF FIDUCIARY NET POSITION

December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 42,418	\$ 48,500
TOTAL CURRENT ASSETS	42,418	48,500
TOTAL ASSETS	42,418	48,500
DEFERRED OUTFLOWS OF RESOURCES	0	0
LIABILITIES		
Current Liabilities		
Escrow Funds	42,418	48,500
TOTAL CURRENT LIABILITIES	42,418	48,500
TOTAL LIABILITIES	42,418	48,500
DEFERRED INFLOWS OF RESOURCES	0	0
NET POSITION		
Held in Trust for Escrow	\$ 42,418	\$ 48,500

PIERCE COUNTY COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For The Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
ADDITIONS		
Escrow Revenue	\$ 178,078	\$ 169,605
TOTAL ADDITIONS	<u>178,078</u>	<u>169,605</u>
 DEDUCTIONS		
Escrow Current Deduction	<u>184,161</u>	<u>166,046</u>
TOTAL DEDUCTIONS	<u>184,161</u>	<u>166,046</u>
 CHANGE IN NET POSITION	 (6,083)	 3,559
NET POSITION - Beginning of year	<u>48,500</u>	<u>44,941</u>
NET POSITION - End of year	<u><u>\$ 42,418</u></u>	<u><u>\$ 48,500</u></u>

Pierce County Community Development Corporation
Notes to Financial Statements
For the Years Ended December 31, 2021, and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pierce County Community Development Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant policies are described below.

A. REPORTING ENTITY

The Pierce County Council, by Ordinance No. 85-151 and as amended by Ordinance No's. 89-41S, 92-75, 93-72, 2013-11, created the Pierce County Community Development Corporation (CDC). The CDC, a separate but related unit of Pierce County, was incorporated on September 24, 1985, and operates under the laws of the state of Washington applicable to a public development corporation. The CDC is exempt from federal income tax under section 501(a) of the Internal Revenue Code as a 501(c)(3) exempt organization. The accounting and reporting policies of the CDC conform to GAAP. Government-wide financial statements for Pierce County are available for review at 950 Fawcett Avenue, Suite 100, Tacoma, WA, 98402.

The CDC implements and manages affordable housing and business loan programs to provide services to the low-income residents of unincorporated Pierce County and the sixteen towns and cities that participate in the Urban Consortium. The CDC's financial statements include the financial position and results of operations of all programs that are controlled by or dependent on the CDC. An eight-member board of community members reviews and approves all significant program related activities and expenditures. Through an agreement with the CDC, the Pierce County Department of Human Services (Department), provides staffing for the CDC and exercises oversight responsibility for administration and contract approval. The Department has a clear separation of duties between staff that work on behalf of the CDC and staff that perform monitoring and oversight functions.

B. FUND FINANCIAL STATEMENTS

The financial statements (i.e., the Statement of Fund Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position) report information on all the activities of the CDC. Separate financial statements are provided for proprietary and fiduciary funds. Pierce County, the primary government, is reported separately from the CDC, a legally separate but related unit for which the primary government is financially accountable.

The Statement of Revenues, Expenses and Changes in Fund Net Position demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who use, or directly benefit from, services provided by a given function or segment and 2) grants that are restricted to meeting the operational requirements of a particular function or segment. Other items not properly included among program revenues are reported as administrative revenues.

Pierce County Community Development Corporation
Notes to Financial Statements
For the Years Ended December 31, 2021, and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The primary operating revenues of the CDC include principal loan payments, interest, loan fees and sales from housing projects. Operating expenses for proprietary funds include the cost of services, administrative expenses and amortization. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, including grant funds.

Fiduciary funds distinguish escrow funds, represents monthly payments by borrowers into their escrow account to be used for the payment of taxes and insurance on their homes. An escrow payment is the portion of customer payment that is set aside in an escrow account that will pay for the taxes and homeowner's insurance. It is placed in escrow because insurance and property taxes are required to be paid while the home still has a loan on it.

D. BUDGETARY INFORMATION

The CDC's annual budget is determined by an analysis of available funding and projected expenses. The budget is approved by the Board of Directors annually at an official board meeting. Amendments, if any, are approved by the Board of Directors. An annual appropriated budget is adopted for the proprietary funds on the accrual basis of accounting. The budget is adopted on the combined total of all funds for each account and all appropriations lapse at year-end.

E. ASSETS, LIABILITIES AND EQUITIES

1. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits. For purposes of the Statement of Cash Flows, the CDC considers cash equivalents to be all highly liquid investments, including restricted assets, with original maturities of three months or less from the date of acquisition.

2. Installment Loans

Installment loans represent loans to borrowers for which the CDC currently receives monthly or annual payments. They are recorded at face value with all amounts due within one year classified as current assets and the remainder classified as noncurrent assets.

Pierce County Community Development Corporation
Notes to Financial Statements
For the Years Ended December 31, 2021, and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Deferred Loans
Deferred loans are loans that are not due until their maturity date that carry an interest rate between zero and seven percent. Interest on deferred loans is accrued annually as interest receivable - other. Upon maturity, accrued interest is collected. Deferred loans are also recorded at face value with those loans coming due within one year classified as current assets and those with maturity dates greater than one year classified as noncurrent assets.
4. Forgiven Loans
Forgiven loans are amortized, or forgiven, on a straight-line basis over a period of seven, ten or fourteen years. The amortization is recorded monthly or annually as an expense. An accumulated amortization total is offset against the face amount of active forgiven loans on the Statement of Net Position. A forgiven loan becomes due upon transfer of title of the property or by death of the borrower. In the event the borrower succumbs, the unamortized balance is collected from the deceased borrower's estate.
5. Pending Project Costs
Pending project costs account is for the loan expense disbursements for pending loans, prior to creation of the Borrowers' Clearing accounts, and use for the foreclosure related expenses during the foreclosure process. Once the Borrowers' Clearing account is created or foreclosure case is closed, the expenses from Pending account get allocated respectively.
6. Grants Receivable
Grants receivables represent amounts due from proprietary fund sources for expenses incurred prior to the year-end. The amount has been drawn down from grant income sources and not yet received by the financial statement date.
7. Borrowers' Clearings
Borrowers' clearings consist of loan proceeds obligated to be paid out for construction costs and loan processing expenses related to a specific development project.
8. Net Position
Net position is reported in categories based on source and available use. The CDC's net position is unrestricted.

NOTE 2 – DEPOSITS

All deposits of the CDC are insured either by federal depository insurance (FDIC) or by the Washington Public Deposit Protection Commission (WPDPC). On December 31, 2021, deposits insured by federal depository and WPDPC insurance amounted to \$100,000 and \$4,964,308, respectively. For the year ending December 31, 2020, FDIC and WPDPC insured deposits were \$100,000 and \$3,183,047, respectively.

Pierce County Community Development Corporation
Notes to Financial Statements
For the Years Ended December 31, 2021, and 2020

NOTE 3 – RISK MANAGEMENT

The CDC is exposed to various risks of loss related to torts, errors, and omissions. CDC staff and property are covered by Pierce County's self-insurance funds. Pierce County accounts for general risk management losses with the Self-Insurance Fund and the Workers Compensation Fund covers injuries to employees.

Pierce County's general risk management is financed through a program of self-insurance supplemented by several purchased insurance policies. All county departments participate in the program and pay premiums. Individual department claims experience is evaluated annually to determine premium rates sufficient to pay prior and current year claims.

Workers' compensation benefits are provided to all Pierce County departments through a self-insured program certified under the Industrial Insurance Act, Title 51, Revised Code of Washington and is supplemented by an excess loss insurance policy. Benefits are financed by premiums paid to the Workers Compensation Fund. The excess loss workers compensation self-insured liability insurance provides stop-loss coverage (\$1 million limit) more than a statutory self-insured retention limit of \$750,000 per occurrence.

The CDC also carries a Non-Profit Directors and Officers Professional Liability insurance policy as well as a General Liability policy, each with an aggregate limit of \$2,000,000. Brown and Brown Insurance, the Chubb Group of Insurance Companies, brokers both policies.

The CDC did not have any insurance claims nor exceed the amount of settlement in the past three years.

Pierce County Community Development Corporation
Notes to Financial Statements
For the Years Ended December 31, 2021, and 2020

NOTE 4 – CHANGES IN SHORT AND LONG-TERM DEBT

All liabilities classified as current represent debt expected to be settled within one year. Borrowers' clearings represent funds currently obligated for acquisition, rehabilitation and/or new construction projects. Project expenditures for these costs reduce this liability as expended. Interest due HUD represents interest collected on certain cash funds to be remitted to HUD every fiscal year ending June 30th. Other current liabilities consist of owner contributions collected for certain development projects, funds collected for reconveyance fees and fees due for tax monitoring services. Long-term liabilities include funds due to Pierce County Public Works for program income received through the Septic Repair Loan/Grant program. Following are account increases and decreases for the years ending December 31, 2021, and 2020.

	2020	Increases	Decreases	2021	Due in 2022- Estimate
Borrower's Clearings	512,504	1,508,544	(1,117,563)	903,485	1,100,000
Due to Public Works	391,792	312	(98,793)	293,312	90,000
Accrued Payroll Liabilities	114,245	726,882	(733,992)	107,135	750,000
Accrued Other Liabilities	39,876	174,460	(181,376)	32,960	190,000
Other Current Liabilities	14,520	188,205	(43,484)	159,241	43,000
	<u>1,072,938</u>	<u>2,598,404</u>	<u>(2,175,208)</u>	<u>1,496,133</u>	<u>2,173,000</u>

	2019	Increases	Decreases	2020	Due in 2021- Estimate
Borrower's Clearings	859,153	1,355,612	(1,702,262)	512,504	1,800,000
Due to Public Works	429,125	58,858	(96,190)	391,792	90,000
Accrued Payroll Liabilities	166,991	690,353	(743,100)	114,245	700,000
Accrued Other Liabilities	59,836	188,081	(208,041)	39,876	190,000
Other Current Liabilities	12,231	47,897	(45,608)	14,520	40,000
	<u>1,527,336</u>	<u>2,340,802</u>	<u>(2,795,201)</u>	<u>1,072,938</u>	<u>2,820,000</u>

NOTE 5 – LONG-TERM DEBT

A. SEPTIC REPAIR LOAN/GRANT PROGRAMS #1 AND #2

The CDC entered a Memorandum of Understanding (MOU) with Pierce County's Public Works to administer a Septic Repair Loan Program. Under the MOU the CDC collects payments on behalf of Public Works on a fee for service basis. The loan payments are passed on to Public Works annually.

In 2018, \$62,963.41 principal receipts have been issued back to Public Works, for the customer payment period July 2017 through June 2018.

In 2019, \$36,451.83 principal receipts have been issued back to Public Works, for the customer payment period July 2018 through June 2019.

In 2020, \$41,379.56 principal receipts have been issued back to Public Works, for the customer payment period July 2019 through June 2020.

In 2021, \$20,237.68 principal receipts have been issued back to Public Works, for the customer payment period July 2020 through June 2021.

The estimated principal payment towards Public Works for 2022 is \$20,000.00.

Pierce County Community Development Corporation
Notes to Financial Statements
For the Years Ended December 31, 2021, and 2020

NOTE 5 – LONG-TERM DEBT (Continued)

B. SEPTIC REPAIR LOAN/GRANT PROGRAM #3

The CDC entered a Memorandum of Understanding (MOU) with Pierce County's Public Works to administer a Septic Repair Loan Program. Under the MOU the CDC collects payments on behalf of Public Works on a fee for service basis. The loan payments retained by the CDC to be used for future Septic Repair Loan projects.

NOTE 6 – CONTINGENCIES AND LITIGATIONS

The CDC's financial statements include all material liabilities and there are no contingent liabilities to record. The CDC is not currently involved in any lawsuits or other legal actions nor is it aware of any other pending litigation.

The CDC participates in several federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. CDC management believes that such disallowances, if any, will be immaterial.

NOTE 7 – RECEIVABLE BALANCES

For the years ending December 31, 2021, and 2020, the principal balances of outstanding loans that mature beyond one year are as follows:

	2020	Increases	Decreases	2021
Deferred Loans	\$ 25,801,185	\$ 804,662	(1,378,223)	\$ 25,227,624
Installment Loans	5,191,530	9,122	(724,097)	4,476,555
Forgiven Loans	729,141	1,080	(33,730)	696,491
Accum. Amortization	(195,345)	23,429	(33,029)	(204,945)
	<u>\$ 31,526,511</u>	<u>\$ 838,293</u>	<u>\$ (2,169,080)</u>	<u>\$ 30,195,724</u>

	2019	Increases	Decreases	2020
Deferred Loans	\$ 25,297,306	\$ 2,031,523	(1,527,644)	\$ 25,801,185
Installment Loans	5,604,366	113,141	(525,977)	5,191,530
Forgiven Loans	717,817	37,250	(25,926)	729,141
Accum. Amortization	(185,887)	23,571	(33,029)	(195,345)
	<u>\$ 31,433,602</u>	<u>\$ 2,205,485</u>	<u>\$ (2,112,576)</u>	<u>\$ 31,526,511</u>

Pierce County Community Development Corporation
Notes to Financial Statements
For the Years Ended December 31, 2021, and 2020

NOTE 8 – OTHER DISCLOSURES

A. RELATED PARTY TRANSACTIONS

As a related organization, the CDC has a significant relationship with Pierce County. All federal, state, and local grant funds received by the CDC are passed through Pierce County. In 2021 the CDC received \$901,130 in pass-through grants and in 2020 the CDC received \$893,611. All services of the CDC are performed by employees of Pierce County.

The CDC Board of Directors consists of various members of the community including attorneys, contractors, and bankers. As a result, board members' employers may be indirectly involved in contracts entered by the CDC. When this type of transaction occurs, any related board member abstains from any discussion and voting concerning the proposed contract. A notation is made in the minutes concerning the matter. A list of such contracts is available for review at the CDC office upon request.

B. INTERGOVERNMENTAL GRANTS AND ENTITLEMENTS

The accompanying Schedule of Expenditures of Federal Awards provides a summary of the federal assistance programs in which the CDC participates.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

The Prior Period Adjustment is when the prior period transactions are adjusted in the current accounting period. The overstated or understated amount is reported in the financial statements as a separate line item.

The prior period grant revenue transaction for October 2020 was revised in 2021. \$88,950 was overstated due to the October 2020 correction entry. The total Prior Period Adjustment amount is \$88,950.

NOTE 10 – SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the rapidly spreading deadly new virus referred to as COVID-19. Shortly thereafter, the Governor ordered mitigation actions to slow the spread of the virus including closure of K-12 schools, colleges and universities, public event cancelations, prohibitions of public and private gatherings, closures of many businesses and commercial activities, and a requirement that people stay home unless they need to leave essential functions.

In response to this event, the County Executive also issued an Emergency Declaration in March 2020 in which he asked The Pierce County employees to work remotely to the greatest extent possible. The CDC provided borrower's opportunity for loan modification and/or forbearances as Covid relief service. The CDC followed all federal and state loan servicing guidance during Covid.

Pierce County Community Development Corporation
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
CDBG - Entitlement Grants Cluster							
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Pierce County)	Community Development Block Grants/Entitlement Grants	14.218	Sub Rehab Grant	546,091	-	546,091	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Pierce County)	Community Development Block Grants/Entitlement Grants	14.218	Sub Rehab PI	304,297	-	304,297	-
Total CDBG - Entitlement Grants Cluster:				850,388	-	850,388	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Pierce County)	Home Investment Partnerships Program	14.239	HOME Grant 2015	(10,965)	-	(10,965)	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Pierce County)	Home Investment Partnerships Program	14.239	HOME Grant 2016	714	-	714	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Pierce County)	Home Investment Partnerships Program	14.239	HOME Grant 2017	274,255	-	274,255	-

The accompanying notes are an integral part of this schedule.

Pierce County Community Development Corporation
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

		Expenditures					Passed through to Subrecipients	Note
		Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total
		ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Pierce County)	Home Investment Partnerships Program	14.239	HOME Grant 2018	102,054	-	102,054
		ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Pierce County)	Home Investment Partnerships Program	14.239	HOME PI	452,064	-	452,064
Total CFDA 14.239:						818,122	-	818,122
Total Federal Awards Expended:						1,668,510	-	1,668,510

The accompanying notes are an integral part of this schedule.

**Pierce County Community Development Corporation
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Pierce County Community Development Corporation's (CDC) financial statements. The CDC uses the accrual basis of accounting.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs may be more than shown.

NOTE 3 – REVOLVING LOAN PROGRAM

The CDC has revolving loan programs for low income housing projects and business development. Under these federal programs, repayments to the CDC are considered program income and loans of such funds to eligible recipients are considered expenditures. A detail of current year activity is as follows:

Program Name	Principal & Interest Loan Repayments	Loans Funds Disbursed for Projects	Federal Award Expenditures
HOME	1,589,472	818,121	818,121
HOPE 3	48,351		-
Sub Rehab	304,297	850,388	850,388
NSP	546,259	-	-
Total	2,488,380	1,668,510	1,668,510

NOTE 4 – INDIRECT COST RATE

The CDC has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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