

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

Pierce County Housing Authority

Audit Period
January 1, 2005 through December 31, 2005

Report No. 71491

Issue Date
September 22, 2006



Washington _____
State Auditor

Brian Sonntag



**Washington State Auditor
Brian Sonntag**

September 22, 2006

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.

In addition to this work, we look at other areas of our audit client's operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Pierce County Housing Authority January 1, 2005 through December 31, 2005

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Federal Summary

Pierce County Housing Authority January 1, 2005 through December 31, 2005

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.

- An unqualified opinion was issued on the Housing Authority's financial statements.
- We noted no instances of noncompliance that were material to the financial statements of the Housing Authority.
- We issued an unqualified opinion on the Housing Authority's compliance with requirements applicable to its major federal program.
- We reported no findings, which are required to be disclosed under OMB Circular A-133.
- We noted in our Independent Auditor's Report on Financial Statements that the Schedule of Expenditures of Federal Awards was fairly presented.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$529,922.
- The Housing Authority qualified as a low-risk auditee under OMB Circular A-133.
- The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.871	Housing Choice Vouchers

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

**Pierce County Housing Authority
January 1, 2005 through December 31, 2005**

Board of Commissioners
Pierce County Housing Authority
Tacoma, Washington

We have audited the basic financial statements of the Pierce County Housing Authority, Pierce County, Washington, as of and for the year ended December 31, 2005, and have issued our report thereon dated June 30, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of 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, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. 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 herein under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Commissioners, federal awarding agencies and pass-through entities. 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.

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BRIAN SONNTAG, CGFM
STATE AUDITOR

June 30, 2006

Independent Auditor's Report on Compliance with Requirements Applicable to its Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**Pierce County Housing Authority
January 1, 2005 through December 31, 2005**

Board of Commissioners
Pierce County Housing Authority
Tacoma, Washington

COMPLIANCE

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 are applicable to its major federal program for the year ended December 31, 2005. The Housing Authority's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on the Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the 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. Our audit does not provide a legal determination on the Housing Authority's compliance with those requirements.

In our opinion, the Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Commissioners, federal awarding agencies and pass-through entities. 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.

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BRIAN SONNTAG, CGFM
STATE AUDITOR

June 30, 2006

Independent Auditor's Report on Financial Statements

Pierce County Housing Authority January 1, 2005 through December 31, 2005

Board of Commissioners
Pierce County Housing Authority
Tacoma, Washington

We have audited the accompanying basic financial statements of the Pierce County Housing Authority, Pierce County, Washington, as of and for the year ended December 31, 2005, as listed on page 8. These financial statements are the responsibility of the Housing Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pierce County Housing Authority, as of December 31, 2005, and the changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 9 through 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions 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 Forms are supplemental information required by HUD. These schedules are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial

statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

June 30, 2006

Financial Section

Pierce County Housing Authority January 1, 2005 through December 31, 2005

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis – 2005

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2005
Statement of Revenues, Expenses and Changes in Net Assets – 2005
Statement of Cash Flows – 2005
Notes to the Financial Statements – 2005

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards – 2005
Notes to the Schedule of Expenditures of Federal Awards – 2005
Financial Data Schedule – 2005
Actual Modernization Cost Certificate WA19P054502-03, form HUD-53001
Actual Modernization Cost Certificate WA19P054501-05, form HUD-53001

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Pierce County Housing Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

There were events in 2005 that make comparisons of financial position and results from operations difficult.

On July 1, 2005, the property agent for one of the Authority's apartment complexes exercised its right under a pre-existing option agreement to purchase the one remaining complex under its management. The affect of this transaction was to reduce debt in amounts exceeding the net book value of the properties. This transaction also converted assets previously restricted for debt service reserves to unrestricted assets. This property accounted for 10% of 2005 and 21% of 2004 rent revenue, respectively and 9% of 2005 and 21% of 2004 apartment operations and administration expenses, respectively. As a result of this 2005 sale, operating revenue and expenses include only one half of a year of operations for this property as compared to a full year during 2004. The sale of this property is frequently cited as the reason for the changes in results from operations from 2004 to 2005.

The difference between HUD Annual Contributions and Housing Assistance payments increased by approximately \$1 million from 2004 to 2005. This change is the major reason for increase in net assets for the Assisted Housing Program.

Significant 2005 Financial Events

There were two events in 2005 that significantly improved the financial condition and results from operations from other years.

The property agent for some of the Authority's apartment complexes exercised its right under a pre-existing option agreement to purchase the one property remaining under its management. The affect of this transaction was to reduce debt in amounts exceeding the net book value of the properties. This transaction also converted assets previously restricted for debt service reserves to unrestricted assets. The sale of this property is frequently cited as the reason for the changes in assets and liabilities.

The other significant event was the regulatory change within the Section 8 Housing Choice Voucher program. Retroactive to January 1, 2005, this change provided substantially all of the increase to net assets in the Assisted Housing Program by requiring the Housing Authority to retain as a designated fund balance, the amounts awarded by HUD from the 2005 appropriation that was in excess of the housing assistance paid.

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 apartment complexes 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.

Excluding the 2004 and 2005 activity from the property sold during 2005, total apartment operating revenues increased by 16%, which is a result of increases in both occupancy and rental rates. Total apartment operating expenses increased by 12% from 2004 to 2005, excluding the sold property.

The 2005 sale of the property generated a gain on sale of approximately \$2.3 million, since the retired debt exceeded the net book value of the sole property.

As a result of these factors, there was an overall increase in net assets of approximately \$3.3 million in 2005. Because of this increase in net assets, certain of the Authority's key financial measures that use net assets or results of operations significantly improved from 2004 to 2005. These key measures are provided in the following chart and are discussed below.

	Key Financial Measures	
	2005	2004
Working Capital	6,260,715	4,250,560
Working Capital Ratio	411.53%	194.09%
Long-term Liabilities to Net Assets	191.99%	319%
Return on Assets	6.76%	-1.98%
Return on Net Assets	20.59%	-9.02%
Cash Flow before Debt Service (Excluding Asset Sales)	4,702,118	3,561,784
Debt Service	2,693,405	3,218,871
Debt Service Coverage	175%	111%

- Working capital measures the Authority's available financial resources to meet its short-term obligations. Working capital was obtained during 2005 from the positive apartment and HUD program operating results and from the sale of the property previously discussed. The Authority has sufficient resources to pay its current obligations.
- Because the Authority generated more revenue than expenses during 2005, the return on assets and return on net assets are both positive as compared to the negative ratios in 2004. As was previously discussed, the sale of the property and improved operations increased net assets and reduced debt levels, which caused the debt-to-equity ratio to significantly decrease from 2004 to 2005. A decrease in the debt-to-equity ratio signals an improved overall financial condition.
- 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. As is noted above, this measure improved from 2004 to 2005, mainly due to increased net operating income and reduced debt levels (from the sale of the property). 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. The notes to the financial statements contain additional information regarding debt covenants.

Introduction to the Financial Statements

The Authority operates the following two major business type programs that are combined in the 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, public housing and Rural Development programs.

Apartments Program

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 Assets. 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 Assets, the Statement of Revenues, Expenditures and Changes in Net Assets 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. In limited circumstances, the Authority acts solely as a trustee or agent for the benefit of others outside of the Authority. These fiduciary functions are very minor and are not reflected in these financial statements.

Reporting the Authority as a Whole

The Statement of Net Assets, the Statement of Revenues, Expenditures and Changes in Net Assets 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 assets and changes in them as well as how cash was generated and used during the year. The Authority's net assets are 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 assets are one indicator of whether its financial condition is improving or deteriorating. You will need to consider other nonfinancial 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.

Reporting the Authority's Fiduciary Responsibilities

The Authority manages two properties for other entities and may hold a minor amount of assets for other entities in an agency capacity. The programs are purely custodial in nature (i.e. assets equal liabilities) and thus do not focus on the measurement of operations (i.e. there are no revenues, expenditures or fund balances). The Administrative fees generated by these activities are reflected in the Apartments Program, but no other revenues and expenses related to these separate operations are reflected in these financial statements. The Authority conducts no other "fiduciary" activities. Because of their minor amounts, none of the Authority's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the Authority's financial statements because the Authority cannot use these assets to finance its operations. The Authority is responsible for ensuring that the assets reported in these programs are used for their intended purposes.

THE AUTHORITY AS A WHOLE

The Authority's combined net assets increased by approximately \$3.3 million from a year ago. In contrast, last year's net assets decreased by approximately \$1.1 million from the prior year. The following analysis focuses on the changes in assets, liabilities and net assets of the Authority's operations as a whole.

	NET ASSETS		Percentage Change
	2005	2004	
Current and Other Assets	\$ 13,407,357	\$ 14,913,240	-10.10%
Capital Assets, Net	34,774,338	42,183,637	-17.56%
Total Assets	<u>48,181,695</u>	<u>57,096,877</u>	-15.61%
Long Term Liabilities	30,359,058	40,022,693	-24.15%
Current Liabilities	2,009,692	4,517,632	-55.51%
Total Liabilities	<u>32,368,750</u>	<u>44,540,325</u>	-27.33%
Net Assets:			
Invested in Capital Assets, Net of Debt	6,678,677	5,139,027	29.96%
Restricted	4,027,644	4,349,501	-7.40%
Unrestricted	5,106,624	3,068,024	66.45%
Total Net Assets	<u>\$ 15,812,945</u>	<u>\$ 12,556,552</u>	25.93%

Total net assets of the Authority increased by 26%. Unrestricted net assets represents the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net assets increased by approximately \$2.1 million from 2004 to 2005. A significant factor in this increase was the improved 2005 operating results and the sale of a property, as previously discussed. The increase in investment in capital assets is caused by several offsetting factors. The 2005 sale of a property reduced capital-related debt in an amount exceeding the net book value of the capital assets. The affect of this sale is to increase net assets invested in capital. Likewise, capital additions paid from operating cash flow increased this net asset category. Changes to accumulated depreciation and amortization expense exceeded the principal payments on the related capital debt, which reduces the net assets invested in capital assets. Decreases in restricted net assets correspond to decreases in restricted cash and investment balances. There are two major offsetting factors that account for most of the change in restricted net assets. The 2005 property sale converted approximately \$1.3 million of restricted debt service reserves to unrestricted assets, thus reducing the restricted net asset category. A 2005 change in HUD's Housing Assistance Payments program requirements placed additional restrictions on the use of those funds. This change increased restricted net asset by approximately \$1.1 million.

The Authority's total operating revenues reflected in the following chart remained substantially unchanged from 2004 to 2005. This was mainly due to offsetting impacts of the loss of one-half of a year's revenue from the sale of the property as of July 1, 2005 and the increases in occupancy and rental rates from the remaining properties. Tenant revenues increased (1%) while operating costs decreased (2%) from operating factors and the property sale, previously discussed. Excluding the activity from the property sold during 2005, total apartment operating revenues increased by 16%, which is a result of increases in both occupancy and rental rates. Total apartment operating expenses increased by 12% from 2004 to 2005, excluding the activity from the property sold during 2005. The increase in interest revenue of approximately \$50,000 is due mainly to general interest rate increases from 2004 to 2005.

	CHANGES IN NET ASSETS 2005	2004	Percentage Change
Rent and Other Tenant Revenues	\$ 8,547,351	\$ 8,436,716	1.31%
Annual Contributions (HUD)	17,728,245	17,903,889	-0.98%
Other Revenues	164,043	150,627	8.91%
Total Operating Revenues	<u>26,439,639</u>	<u>26,491,232</u>	-0.19%
Apartment Operations and Administration	6,642,281	6,808,115	-2.44%
Assisted Housing Operations and Administration	17,180,844	18,242,428	-5.82%
Total Operating Expenses	<u>23,823,125</u>	<u>25,050,543</u>	-4.90%
Net Operating Income	<u>2,616,514</u>	<u>1,440,689</u>	81.62%
Gain (Loss) on Disposition of Assets	2,253,590	(807,065)	379.23%
Insurance Proceeds	7,113	37,823	-81.19%
Interest Revenue	370,854	316,704	17.10%
Interest Expense	(2,068,140)	(2,434,286)	-15.04%
Net Non-Operating Income (Expense)	<u>563,417</u>	<u>(2,886,824)</u>	-119.52%
Capital Grant Contributions	76,462	313,012	-75.57%
Increase (Decrease) in Net Assets	<u>\$ 3,256,393</u>	<u>\$ (1,133,123)</u>	387.38%

The total cost of all operating programs and services decreased by 5%. The net affect of the revenue and cost decreases, increased net operating income by approximately \$1.2 million or 82%. The large increase in net non-operating income is mainly from the gain on the 2005 sales of an apartment building as compared to the loss on disposed assets experienced in 2004. The 2004 loss on disposed assets is directly related to the major exterior renovation projects and the upgrade of the interior living spaces of the residential units. The combination of all of these factors resulted in the current year increase in net assets of \$3.3 million in 2005 as compared to the 2004 decrease in net assets of \$1.1 million.

Budgetary Highlights

The Authority's Commission accepted the 2005 budget in December 2004 and there were no revisions during the year. The Authority exceeded its revenue targets by approximately \$694,000 and spent approximately \$423,000 less than its operating expense budget. Non-operating items such as interest and capital grants exceeded expectation by approximately \$179,000, resulting in a net variance for 2005 of \$1,296,000. The main factors causing the variances are as follows:

- Annual contributions from HUD for the Housing Choice Voucher program were \$82,000 more than expected and the housing assistance payments were \$994,000 less than expected.
- The Operating Subsidy and rental revenue in the Low-Income Public Housing program fell short by \$33,000 while expenses increased by \$35,000 over the planned expenditures.
- Tenant associated revenue generated through the Housing Authority's Business Activities Programs were \$637,000 more than expected and the expenses were only more than anticipated by \$521,000.
- Investment income exceeded expectations by \$151,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, the Authority had \$34.5 million invested in its portfolio of housing stock and \$0.2 million invested in assets used in administration and program support. This amount represents a net decrease (including additions, sales, disposals and depreciation) of \$7.4 million, or 17.6%, from last year. The changes in capital assets during 2005 are presented in the following chart.

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 7,762,102	\$ -	\$ 1,356,609	6,405,493
Building	45,015,567	917,797	7,734,439	38,198,925
Equipment & Flooring	3,801,979	675,338	887,172	3,590,145
Capital Assets	\$ 56,579,648	\$ 1,593,135	\$ 9,978,220	\$ 48,194,563
Accumulated Depreciation	(14,396,011)	(1,615,155)	2,590,941	(13,420,225)
Capital Assets, Net	<u>\$ 42,183,637</u>			<u>\$ 34,774,338</u>

The reductions to capital asset components are due to the sale of the property, previously discussed and the sale of Low Income Housing Program single-family properties under the Homeownership Program. This year's disposals also include the assets replaced by major maintenance and building addition projects.

This year's major additions include major maintenance and replacement projects as well as individual unit "turnover" costs.

The Authority maintains capital replacement reserves under a bond indenture requirement. As of December 31, 2005, the Authority has approximately \$202,000 in reserves held by the trustee for capital replacements on the pooled housing refunding bonds. The Authority's fiscal-year 2006 capital budget calls for it to spend \$1,000,000 for operating capital projects, principally for projects involving the pooled housing bond properties and the Low Income Public Housing program. As such, these capital improvements will be funded from existing reserves, capital fund grants and will require the use of operating cash flow. For additional information refer to the notes to the financial statements.

Debt Administration

At year-end, the Authority had \$29.1 million in bonds, bonds, notes and advances outstanding versus \$38.8 million last year, a decrease of 25%, as shown in the following chart.

	Balance Outstanding December 31, 2004	Additions	Payments	Balance Outstanding December 31, 2005
Housing Revenue Bonds	\$ 38,080,000	\$ -	\$ (9,055,000)	\$ 29,025,000
Rural Development Program Loans	663,236	-	(9,585)	653,651
Other Borrowings	774,160	202,248	(976,408)	-
Total Outstanding Debt at year End	\$ 39,517,396	\$ 202,248	\$ (10,040,993)	\$ 29,678,651
Less Current Portion of Long Term Debt	(784,585)			(625,265)
Total Long Term Debt Outstanding	<u>\$ 38,732,811</u>			<u>\$ 29,053,386</u>

The reduction in Housing Revenue Bonds was from an \$8.3 million payoff related to the 2005 dale of a property and from normal, recurring, principal payments. The reduction in Rural Development Program Loans was from normal, recurring, principal payments. The Authority received advances under its property agent management agreement for capital and operating needs during 2005, but the outstanding advance was settled in connection with the sale of the property as of July 1, 2005.

The Authority is responsible under bond covenants to maintain predetermined debt service coverage. Additional information regarding long-term debt and related bond covenants is provided to the notes to the Authority's financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed commissioners and management have considered many factors when setting the fiscal year 2006 budget. One of those factors is the economy and its impact on the multi-family housing rental market within the Authority's service area. The Authority's preliminary budget assumes a 1% increase in apartment revenues and a 1% decrease in housing assistance grants in 2005. The Authority has not factored occupancy changes into the revenue forecast for the coming year so expects the 1% increase to be generated through modest rental rate increases. The reduction of the housing assistance proceeds is a result of reduced housing assistance payments that was experienced in the prior year. Operating expenses are budgeted to increase by 7%; with substantially all of the increased expenditures planned for deferred maintenance and physical improvements of the multi-family and single family buildings in the Housing Authority's portfolio.

The Housing Authority also expects to be awarded at least three grants during the same period, which would offset the 7% increase in operating expenses explained above. If these estimates are realized, the Authority's unrestricted net assets are expected to remain substantially unchanged by the close of 2005. The net assets that are invested in capital assets, net of related debt is expected to decrease due to the different rate of debt principal payments from the depreciation rates, as previously discussed. The restricted net assets balance should remain substantially unchanged. In order to meet the budget targets, the occupancy targets will need to be maintained, 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 98445-0410.

**PIERCE COUNTY HOUSING AUTHORITY
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2005**

ASSETS

Current Assets	
Cash, Cash Equivalents and Investments	6,086,998
Restricted Cash and Cash Equivalents	1,689,376
Accounts Receivable/prepays (net)	408,015
Inventory	86,018
TOTAL CURRENT ASSETS	8,270,407

Non Current Assets	
Restricted Cash Equivalents and Investments	2,338,268
Investments	174,899
Notes Receivable	1,040,793
Deferred charges (net)	1,582,990
Capital Assets:	
Land	6,405,493
Buildings and equipment	41,789,070
Less accumulated depreciation	(13,420,225)
TOTAL NON CURRENT ASSETS	39,911,288

TOTAL ASSETS	48,181,695
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LIABILITIES

Accounts Payable	490,442
Accrued Interest Payable	137,793
Tenant Deposits and Prepaid Rent	353,111
Other Accrued Liabilities	143,103
Accrued Payroll & Compensated Absences	123,178
Deferred Grant Revenue	136,800
Current portion of long term liabilities	625,265
TOTAL CURRENT LIABILITIES	2,009,692

Non Current Liabilities	
Long term liabilities Capital	29,053,386
Tenant Deposits, Compensated Absences, Other Non-Current Liabilities and Deferred Revenue	1,305,672
TOTAL LIABILITIES	32,368,750

NET ASSETS

Invested in Capital Assets, net of related debt	6,678,677
Restricted	4,027,644
Unrestricted	5,106,624
TOTAL NET ASSETS	15,812,945

TOTAL LIABILITIES AND NET ASSETS	48,181,695
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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 ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005**

OPERATING REVENUES

Dwelling Rent	7,833,764
Tenant Charges	655,383
Laundry	38,023
Utilities	20,181
Other Income	164,043
Annual Contributions (HUD) & Operating Grants	17,728,245
TOTAL OPERATING REVENUES	26,439,639

OPERATING EXPENSES

Administration	1,804,971
Tenant Services	37,263
Utilities	1,077,551
Maintenance Costs	2,145,476
On Site Salaries and Benefits	630,928
General Operational Costs	1,738,478
Other	177,652
Independent Audit Costs	69,074
Housing Assistance Payments	14,434,095
Depreciation	1,615,155
Amortization	92,482
TOTAL OPERATING EXPENSES	23,823,125

OPERATING INCOME	2,616,514
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NONOPERATING REVENUES (EXPENSES)

Gain on Disposition of Assets	2,253,590
Insurance Settlement Proceeds	7,113
Investment Revenue	370,854
Interest Expense	(2,068,140)
Total Nonoperating Revenue (Expenses)	563,417
INCOME BEFORE CONTRIBUTIONS	3,179,931

Capital Contributions	76,462
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CHANGE IN NET ASSETS	3,256,393
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TOTAL NET ASSETS BEGINNING	12,556,552
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TOTAL NET ASSETS ENDING	15,812,945
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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, 2005**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	8,219,505
Payments to suppliers, employees and landlords	(22,487,076)
Receipts from governments	16,338,340
Receipts from non-governmental operating grants	92,200
Net cash provided by operating activities	2,162,969

CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES

Proceeds from operating borrowings	116,129
Principle paid on operating borrowings	(358,848)
Net cash used by non capital financing activities	(242,719)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital debt	86,119
Insurance Settlement Proceeds	7,113
Capital contributions	76,462
Proceeds from sale of Highland Park	9,261,408
Purchases of capital assets	(1,593,135)
Principal paid on capital debt	(9,682,145)
Interest paid on capital debt	(2,455,533)
Net cash used by capital and related financing activities	(4,299,711)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	2,882,669
Investment of proceeds from sales and maturities of investments	(4,047,000)
Proceeds from Payoffs of Notes Receivable	631,357
Interest and dividends	370,854
Net cash used by investing activities	(162,120)
Net decrease in cash and cash equivalents	(2,541,581)
Balances - beginning of the year	9,287,675
Balances - end of the year	6,746,094
Investments	3,543,448
Total Cash, Cash Equivalents and Investments	\$ 10,289,541

Reconciliation of operation income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	2,616,514
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,615,155
Amortization expense	92,482
Changes in assets and liabilities:	
Receivables, net	(239,818)
Inventories	2,202
Accounts Payable	64,583
Accrued Expenses	(499,776)
Tenant Deposits and Prepaid Rent	(252,071)
Accrued Payroll and Compensated absences	23,742
Non Current Liabilities	37,661
Prepaid HUD Contributions	(1,297,705)
Net Cash provided by operating activities	2,162,969

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

NOTES TO THE FINANCIAL STATEMENTS

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.

The accompanying financial statements include all programs, and organizations for which the Board of Commissioners is financially accountable. The Authority manages two properties and may hold a minor amount of assets for other entities in an agency capacity. The Authority is not financially accountable for these entities as defined above. As such, the operations of these entities are not included in these financial statements.

B. Basis of Presentation-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 assets, 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 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 and by bond covenants.

Assisted Housing Programs

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

Programs Administered

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 project.

Section 8 programs: The Section 8 programs include Moderate Rehabilitation and the Housing Choice Voucher programs. These programs were authorized by Section 8 of the National Housing Act and provide housing assistance payments to private landlords to subsidize rentals 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.

Housing Choice Voucher: The Section 8 Housing Choice Voucher program allows for existing housing units to be used for low-income housing. HUD provides a contracted number of Section 8 voucher budget authority, a portion of which is used to provide supplemental rental payments to landlords for a specified number of housing units. The budget authority also provides administrative funding to the Housing Authority to operate the program.

Rural Development: This program provides for special needs populations in rural areas. Rural development provides both rent subsidies and interest rate subsidies for a specific project.

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

Apartments Program

This major program is used to account for apartment building operations that are financed and operated in a manner similar to private business enterprises. 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 assets. 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.

This major program also accounts for the Homeownership program. 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 Apartments 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 assets.

Other Activities

The Authority manages two properties for other entities and may hold a minor amount of assets for other entities in an agency capacity. The funds are purely custodial in nature (i.e. assets equal liabilities) and thus do not focus on the measurement of operations (i.e. there are no revenues, expenditures or fund balance). The Administrative fees generated by these activities are reflected in the Apartments Program, but no other revenues and expenses related to these separate operations are reflected in these financial statements. The Authority conducts no other "fiduciary" activities.

C. Measurement Focus and Basis of Accounting

Basis of Accounting refers to when revenues and expenditures 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. All transactions in the Apartments 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 follows all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as all Financial Accounting Standards Board (FASB) Statements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The Authority presents a classified statement of net assets, 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 Tenant Deposits and Compensated Absences, are classified into current and long-term portions based upon estimates of the amounts that will be settled during the ensuing year.

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, money market funds, balances held by the bond trustee and short term investments with original maturities of three months or less from the date of acquisition. Investments due within one year are included in the caption Cash, Cash Equivalents and Investments. 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 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 certain investment agreements in bond reserve funds that yield a fixed rate of return for the life of the bonds. These investment agreements from a variety of financial institutions yield interest rates from 3.41% to 5.31%. The trustee has valued these agreements at cost, as they are 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 programs, except for excess housing assistance or administrative fees received for the Housing Choice Voucher Program in calendar year 2005. Cash held for the Family Permanency Project is not considered restricted, as it is available for operating expenses of that program.

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 Program are stated at the face value of unpaid second mortgages. 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.

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.

The Authority's capitalization policies are as follows:

Expenditures for land or structures (buildings and improvements) are capitalized. Expenditures 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. Expenditures 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.

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 expenditures 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.

Capital asset activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 7,762,102	\$ -	\$ 1,356,609	6,405,493
Building	45,015,567	917,797	7,734,439	38,198,925
Equipment & Flooring	3,801,979	675,338	887,172	3,590,145
Capital Assets	\$ 56,579,648	\$ 1,593,135	\$ 9,978,220	\$ 48,194,563
Accumulated Depreciation	(14,396,011)	(1,615,155)	2,590,941	(13,420,225)
Capital Assets, Net	<u>\$ 42,183,637</u>			<u>\$ 34,774,338</u>

The additions to building, equipment and flooring are costs incurred under the HUD Capital Fund Program, reconstruction costs at certain apartment buildings and other improvements. 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. While substantially all of the disposal activity reported in land and buildings is a result of the sale of one apartment project, the land and building disposals also reflect the transfer of four single family homes at net book value to the Homeownership program for sale to the resident and 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. Debt Issue Costs and Bond Discounts

Debt issue costs and original issue discounts on bonds are amortized over the period for which the related debt is outstanding. Deferred charges include the original debt issue costs and discounts on bonds as well as deferred charges, related to gains or losses on bond refunding programs.

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 are recognized as costs are incurred. For non-recurring or new HUD contribution contracts, revenue is not recognized until the Authority receives a signed contract. Revenues from local grants are recognized as costs are incurred.

10. Inventory

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

NOTE 2: LEGAL COMPLIANCE-BUDGETS

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

NOTE 3: DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS

Deposits and Investments			
		<u>Carrying Amount</u>	<u>Bank Balance</u>
<u>Deposits</u>			
	Bank Deposits	\$ 439,986	\$ 590,875
		<u>Carrying Amount</u>	<u>Market Value</u>
<u>Evidenced by Securities</u>			
	US Treasury and Agencies	\$ 3,318,796	\$ 3,318,796
	Corporate Bonds	\$ 224,652	\$ 224,652
<u>Other</u>			
	Mutual Funds	3,288,375	3,288,375
	CD/Cash Equivalents	198,396	198,396
	Investment Agreements and Cash Equivalents held by Bond Trustee	2,819,336	2,819,336
Total Cash Equivalents and Investments		<u>\$ 9,849,555</u>	
Total Cash, Cash Equivalents and Investments		<u>\$ 10,289,541</u>	

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 money market mutual funds and are considered cash equivalents. Certain investments are held in US government agency securities, registered in the Authority's name and held by a safekeeping agent that issues safekeeping receipts to the Authority. As such, there is no custodial risk for these registered securities. The bond trustee holds funds in investment agreements with commercial entities. These investment agreements are not subject to custodial credit risk. All investments evidenced by securities are registered in the Authority's name and held by our agent in the Authority's name. The Authority uses the Victory Funds for substantially all of its money market accounts. The Standard and Poors credit rating for these funds is AAA.

The Authority is authorized by HUD to invest in time deposits, certificates of deposits and obligations of the US Treasury and Agencies. The Authority has deposits of HUD funds as of December 31, 2005 in money-market mutual funds and in investments of the US Treasury and Agencies. The authority also holds tenant security deposits in money-market mutual funds and in investments of the US Treasury.

The US Treasury and Agency securities mature in increments from three to nine months. Most of these securities are 0-Coupon securities that are purchased at a discount to provide the market yield to maturity at the date of purchase. As a result of these short maturities, the Authority has limited interest rate risk.

Approximately \$1,071,000 of the investments listed on the previous page are held by a broker for the Greater Tacoma Community Foundation (GTCF) as agent for the Sound Families Grant. The GTCF

account is invested in money market, certificates of deposit, corporate bonds and mutual funds. Since these securities are not registered in the Authorities name, they are subject to custodial credit risk. Most of these assets have short-term or no maturity dates as such there is limited interest rate risk. The corporate bonds are rated by Moodys from A3 to AAA and by Standard and Poors from A- to AAA.

NOTE 4: LONG TERM OBLIGATIONS

The Authority's long-term obligations consist of low-income housing revenue bonds, and other Federal program debt. In addition, the authority records long term liabilities for a portion of tenant deposits, compensated absences and deferred grant revenues.

The changes in the various classifications of the Authority's contractual and other debt from 2004 to 2005 is as follows:

	Balance Outstanding December 31, 2004	Additions	Payments	Balance Outstanding December 31, 2005	Current Portion
Housing Revenue Bonds	\$ 38,080,000	\$ -	\$ (9,055,000)	\$ 29,025,000	\$ 615,000
Rural Development Program Loans	663,236	-	(9,585)	653,651	10,265
Other Borrowings	774,160	202,248	(976,408)	-	-
Total Outstanding Debt at year End	\$ 39,517,396	\$ 202,248	\$ (10,040,993)	\$ 29,678,651	
Less Current Portion of Long Term Debt	(784,585)			(625,265)	\$ 625,265
Total Long Term Debt Outstanding	<u>\$ 38,732,811</u>			<u>\$ 29,053,386</u>	

The Authority retired \$976,408 of the debt during the year simultaneous with a \$8,285,000 current defeasance of the bonds associated with the sale of the Highland Park apartment project.

During 2004, the Authority revised its procedure for classifying certain liabilities between its current and long-term portions. Tenant security deposits, compensated absences and Family Self Sufficient 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. The non-current liabilities other than bond and contractual debt are listed in the following chart:

Non Current Liabilities

	December 31, 2004	Increase	Decrease	December 31, 2005
Family Self Sufficiency	45,911	-	6,899	39,012
Tenant Security Deposits	133,575	46,228		179,803
Deferred FPP Grant Revenue	980,250		42,033	938,217
Compensated Absences	130,146	5,195		135,341
Unclaimed Property		13,299		13,299
Total Other Non-Current Liabilities	<u>\$ 1,289,882</u>	<u>\$ 64,722</u>	<u>\$ 48,932</u>	<u>\$ 1,305,672</u>

Since the FPP grant will be used over several years, it is recorded as deferred revenue 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, 2006.

Information regarding individual debt issues is as follows:

Issue	Purpose	Original Balance	Interest Rate Range (%)	Maturity Dates	Outstanding Balance
Pooled Project A	Refunding for Several Apartments	31,140,000	4.75%-5.9%	2006-2028	27,500,000
Pooled Project B	Refunding for Several Apartments	3,030,000	6.0%	2006-2028	1,525,000
Rural Development Program Loan	Purchase of Apartments	696,219	1.0%	2006-2030	653,651
Total		<u>\$ 34,866,219</u>			<u>\$ 29,678,651</u>

Prior Years Defeasance

During 2003, Housing Revenue Bonds totaling \$30,685,000 was defeased in connection with the sale of the Park Meadows, Emerald Terrace, Park Village and Mallards Landing apartment projects. Funds in the amount of \$5,250,980 had been placed irrevocably in trust to fully fund the advanced defeasance of the Mallards Landing apartment project in 2004. As of December 31, 2005 there are no bonds outstanding on these 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 the 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 issues and debt service to maturity in the Housing Revenue Bonds and other Authority debt are as follows:

Issue	Rates	Principal Balance	Interest	Total Debt Service
Pooled Project A	4.75%-5.9%	27,500,000	22,576,819	50,076,819
Pooled Project B	6.0%	1,525,000	1,744,050	3,269,050
Rural Development Program Loan	1.0%	653,651	143,418	797,069
Total		\$ 29,678,651	\$ 24,464,287	\$ 54,142,938

Authority Wide Debt Service to Maturity

Year	Principal	Interest
2006	\$ 625,265	\$ 1,670,120
2007	\$ 655,993	\$ 1,640,179
2008	\$ 691,773	\$ 1,608,116
2009	\$ 732,608	\$ 1,564,036
2010	\$ 773,503	\$ 1,523,721
2011-2015	\$ 4,548,322	\$ 6,929,385
2016-2020	\$ 6,152,388	\$ 5,469,430
2021-2025	\$ 8,775,381	\$ 3,371,480
2025-2030	\$ 6,723,418	\$ 687,820
	\$ 29,678,651	\$ 24,464,287

Bond issue costs and discounts at December 31, 2005 were \$1,582,990, net of accumulated amortization of \$1,479,175.

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. 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, 2005.

NOTE 5: DEFINED BENEFIT PENSION PLAN

Substantially all full-time and qualifying part-time Authority employees participate in the Public Employee's Retirement System (PERS), a series of cost-sharing multiple-employer defined benefit plans administered by the Washington State Department of Retirement Systems (DRS). DRS issues separate stand-alone financial reports for PERS. The Authority, in accordance with rates specified by DRS, pays employer contributions monthly. PERS Plan I covers employees whom established membership in PERS on or before September 30, 1977. Those joining thereafter are enrolled in Plan II or Plan III.

The State Legislature established PERS in 1947 under Chapter 41.40 RCW. Each biennium, the legislature establishes Plan I employer contribution rates and Plan II employer and employee contribution rates. Employee contribution rates for Plan I are established by legislative statute and do not vary from year to year. Employer rates for Plan I are not necessarily adequate to fully fund the system. The employer and employee contribution rates for Plan II are developed by the Office of State Actuary to fully fund the system. All employers are required to contribute at the level established by the legislature. The methods used to determine the contribution requirements are established under State statute.

Employees covered by Plan I are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 20 years of service. They are entitled to an annual retirement benefit equal to 2% of the average final compensation (based on the greatest compensation during any two consecutive years) for each year of membership service. The annual retirement benefit may not exceed 60% of average final compensation. In addition, 100% joint and survivor and 50% joint and survivor retirement benefit options are available on an actuarial equivalent basis. A member who terminates with five or more years of service to their credit may leave their accumulated contributions in the system and receive full retirement benefits at age 65 or a percentage of full benefits after reaching age 60. PERS Plan I also provides death and disability benefits.

Under PERS Plan II, the contribution rates for members and employers are equal except that the cost of amortizing the unfunded actuarial accrued liability for Plan II is borne by the employer. Employees covered by this plan are eligible for retirement at age 65 with 5 years of service or at age 55 with 20 years of service. They are entitled to an annual retirement benefit equal to 2% of the member's average final compensation (based on the highest compensation during any five year period) for each year of service (for employees who retire prior to reaching age 65, the retirement benefit is actuarially reduced to reflect the period between the age at retirement and attainment of age 65). There is not a cap on years of service credit and a COLA is granted, capped at 3% annually. In addition, 100% joint and survivor and 50% joint and survivor retirement benefit options are available on actuarial equivalent bases. A member who terminates service with five or more years of services to their credit may leave their accumulated contribution in the system and receive a retirement allowance at age 65 or actuarially reduced allowance at age 55 if they have 20 years of service. PERS Plan II also provides death and disability benefits.

A new optional retirement plan known as PERS III became available to PERS II members, and those employees hired after the PERS III effective date in 2002. PERS III has two components. The defined benefit component, funded by employer contributions, will provide members with a guaranteed benefit, similar to what is currently provided in PERS II. The defined contribution component, funded by member contributions, will allow members to direct the investment of their member contributions, by choosing from

several investment options and programs. Employees covered by this plan are eligible for normal retirement at age 65 or older if the member has at least 10 service credit years, or 5 service credit years including 12 service credit months after attaining age 54, or 5 service credit years as earned in PERS II by June 1, 2003 and transferred to PERS III; or early retirements at age 55 or older if the member has at least 10 service credit years. They are entitled to an annual retirement benefit equal to 1% of the member's average final compensation (based on the highest compensation during any five year period) for each year of service (for employees who retire prior to reaching age 65, the retirement benefit is actuarially reduced to reflect the period between the age at retirement and attainment of age 65). Additionally they receive an amount based on the amount contributed under the defined contribution component, the transfer and gain sharing payments (if any) added to an account and the performance of their investments. There is not a cap on years of service credit and a COLA is granted, capped at 3% annually. In addition, joint and 100% survivor, joint and 66.67% survivor, and joint and 50% survivor retirement benefit options are available on actuarial equivalent bases. A member who terminates service may leave their accumulated contribution in the system and receive a retirement allowance at age 65 or actuarially reduced allowance at age 55 if they have 20 years of service.

The payroll for employees covered by the PERS Plan I for the fiscal year ended December 31, 2005 was \$55,976. The payroll for employees covered by PERS Plan II for the fiscal year ended December 31, 2005 was \$2,046,923. The payroll for employees covered by PERS Plan III was \$236,925. The Authority's total payroll for PERS participants was \$2,339,824.

The Authority's actuarially determined contribution rates and actual contribution rates for PERS Plan I, II and III expressed as a percentage of covered payroll and actual contribution, for the fiscal years ended December 31 are as follows:

		PERS I			PERS II			PERS III		
Year		Required Rates	Dollars	% of Required Contribution	Required Rates	Dollars	% of Required Contribution	Required Rates	Dollars	% of Required Contribution
2005	Employer	1.38%-2.44%	1,079	100%	1.38%-2.44%	39,804	100%	1.38%-2.44%	4,898	100%
	Employee	6.00%	3,328	100%	1.18%-2.25%	35,819	100%	5%-10%	12,497	100%
2004	Employer	1.38%-1.4%	1,286	100%	1.38%-1.4%	28,773	100%	1.38%-1.4%	980	100%
	Employee	6.00%	5,531	100%	1.18%	24,367	100%	5.00%	3,527	100%
2003	Employer	1.32%-1.4%	1,662	100%	1.32%-1.4%	27,472	100%	1.32%-1.4%	555	100%
	Employee	6.00%	7,329	100%	.65%-1.18%	18,606	100%	5.0%-7.5%	2,044	100%

NOTE 6: DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code section 457. This plan is available to all regular full-time and part-time Authority employees who 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. Aetna Retirement Services and DRS hold and invest these funds on behalf of the Authority's employees. No amounts related to this plan are reflected in these financial statements.

NOTE 7: INSURANCE

Pierce County Housing Authority is currently a member of both Housing Authority Risk Retention Group, Inc. (HARRG) and Housing Authority Property Insurance, Inc. (HAPI) which are the Authority's primary suppliers of General Liability and Commercial Property coverage, respectively.

The Authority finances its various risks of loss through the payment of premiums to the organizations discussed above as well as commercial insurance. The Authority handles its risk of property loss with

property insurance that covers building, contents and loss of rents. Risk of loss from general liability is handled with general liability coverage, which provides for \$5,000,000 coverage per occurrence with a \$5,000 deductible. Coverage for public officials / errors and omissions provides \$1,000,000 of coverage per occurrence with a \$25,000 deductible. Coverage for employment practices liability provides \$1,000,000 of coverage per occurrence with a \$75,000 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 11/1/2005, which carries a combined single limit of \$ 5,000,000 per occurrence.

There have been no settlements that exceeded insurance coverage for the past three years.

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, 2005.

NOTE 8: DEBT SERVICE COVERAGE, COMMITMENTS AND CONTINGENCIES

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 Note 4. The debt instruments carry debt service coverage covenants. Such covenants require the authority to maintain a certain property's net operating income at prescribed levels exceeding total annual debt service for the bonds. Debt service coverage covenants were met for the Revenue bonds during 2005.

During the course of its operations, the Authority enters into commitments for various capital project and major maintenance work. As of December 31, 2005 commitments under these contracts are approximately \$206,551.

NOTE 9: 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 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	Project Description	Date of Issue	Original Issue Amount
Hidden Hills 2001, LP	Acquisition and rehabilitation of Hidden Hills Apartments	January 1, 2002	\$8,100,000
Sumner Commons, LP	Acquisition of land and construction of Sumner Commons Apartments	December 20, 2002	\$1,750,000

Pierce County Housing Authority
Schedule of Expenditures of Federal Awards
Through December 31, 2005

Grantor Program Title	Federal CFDA Number	Other Identification Number	Current Year Expenditures	
			Indirect	Direct
Rural Rental Housing Loans (Interest Subsidy)	10.415		\$	28,012
Rural Rental Assistance Payments	10.427		\$	69,477
Total US Department of Agriculture Rural Housing Service			\$	97,489
Community Development Block Grant	14.218			
Public and Indian Housing	14.850		\$	18,850
LI HAP Section 8 Moderate Rehabilitation	14.856	S-101		231,368
Section 8 Section 8 Housing Choice Vouchers	14.871	WA054MR0002		82,482
Public Housing Capital Fund	14.872	WA054VO		16,976,265
		S-101		276,453
Total US Department of Housing and Urban Development			\$	18,850
			\$	17,566,568
Total Assistance			\$	17,664,057

PIERCE COUNTY HOUSING AUTHORITY
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ending December 31, 2005

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.

Financial Data Schedule

Line Item No.	Account Description	Business Activities	Rural Rental Housing Loans	Rural Rental Assistance Payments	Low Rent Public Housing	Housing Assistance Program, Section 8 Moderate Rehabilitation	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$1,209,760	\$831	\$0	\$451,164	\$60,275	\$292,210	\$0	\$2,014,240
115	Cash - Restricted for Payment of Current Liabilities	\$201,820	\$29,769	\$0	\$0	\$0	\$0	\$0	\$231,589
113	Cash - Other Restricted	\$0	\$0	\$0	\$0	\$0	\$1,178,539	\$0	\$1,178,539
114	Cash - Tenant Security Deposits	\$101,819	\$914	\$0	\$57,207	\$0	\$0	\$0	\$159,940
100	Total Cash	\$1,513,399	\$31,514	\$0	\$508,371	\$60,275	\$1,470,749	\$0	\$3,584,308
121	Accounts Receivable - PHA Projects	\$0	\$0	\$0	\$0	\$0	\$12,990	\$0	\$12,990
125	Accounts Receivable - Miscellaneous	\$19,137	\$0	\$0	\$271	\$0	\$0	\$0	\$19,408
126	Accounts Receivable - Tenants - Dwelling Rents	\$29,083	\$458	\$0	\$3,352	\$0	\$0	\$0	\$32,893
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$4,343)	(\$104)	\$0	(\$423)	\$0	\$0	\$0	(\$4,870)
126.2	Allowance for Doubtful Accounts - Other	(\$3,639)	\$0	\$0	(\$456)	\$0	\$0	\$0	(\$4,095)
129	Accrued Interest Receivable	\$25,313	\$0	\$0	\$167	\$0	\$0	\$0	\$25,480
120	Total Receivables, net of allowances for doubtful accounts	\$65,551	\$354	\$0	\$2,911	\$0	\$12,990	\$0	\$81,806
131	Investments - Unrestricted	\$3,301,392	\$2,801	\$0	\$783,524	\$0	\$0	\$0	\$4,087,717
135	Investments - Restricted for Payment of Current Liabilities	\$279,248	\$0	\$0	\$0	\$0	\$0	\$0	\$279,248
132	Investments Restricted	\$2,338,268	\$0	\$0	\$0	\$0	\$0	\$0	\$2,338,268
142	Prepaid Expenses and Other Assets	\$174,727	\$1,770	\$0	\$27,359	\$398	\$121,954	\$0	\$326,208
143	Inventories	\$86,018	\$0	\$0	\$0	\$0	\$0	\$0	\$86,018
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$548,979	\$20,369	\$0	\$0	\$0	\$0	\$0	\$569,348
150	Total Current Assets	\$8,307,582	\$56,808	\$0	\$1,322,165	\$60,673	\$1,605,693	\$0	\$11,352,921
161	Land	\$4,131,988	\$90,100	\$0	\$2,183,405	\$0	\$0	\$0	\$6,405,493
162	Buildings	\$28,010,179	\$556,785	\$0	\$9,521,633	\$0	\$0	\$0	\$38,088,597
163	Furniture, Equipment & Machinery - Dwellings	\$2,185,661	\$34,829	\$0	\$301,941	\$0	\$0	\$0	\$2,522,431
164	Furniture, Equipment & Machinery - Administration	\$879,769	\$0	\$0	\$97,810	\$0	\$62,886	\$0	\$1,040,465
165	Leasehold Improvements	\$9,352	\$0	\$0	\$0	\$0	\$0	\$0	\$9,352
166	Accumulated Depreciation	(\$10,158,202)	(\$89,601)	\$0	(\$3,145,508)	\$0	(\$26,914)	\$0	(\$13,420,225)
167	Construction In Progress	\$49,363	\$0	\$0	\$78,862	\$0	\$0	\$0	\$128,225
160	Total Fixed Assets, Net of Accumulated Depreciation	\$25,108,110	\$592,113	\$0	\$9,038,143	\$0	\$35,972	\$0	\$34,774,338
171	Notes, Loans, & Mortgages Receivable - Non Current	\$1,040,793	\$0	\$0	\$0	\$0	\$0	\$0	\$1,040,793
174	Other Assets	\$1,582,990	\$0	\$0	\$0	\$0	\$0	\$0	\$1,582,990
180	Total Non-Current Assets	\$27,731,893	\$592,113	\$0	\$9,038,143	\$0	\$35,972	\$0	\$37,398,121
190	Total Assets	\$36,039,475	\$648,921	\$0	\$10,360,308	\$60,673	\$1,641,665	\$0	\$48,751,042

Financial Data Schedule

Line Item No.	Account Description	Business Activities	Rural Rental Housing Loans	Rural Rental Assistance Payments	Low Rent Public Housing	Housing Assistance Program_Secti on 8 Moderate Rehabilitation	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
312	Accounts Payable <= 90 Days	\$490,442	\$0	\$0	\$0	\$0	\$0	\$0	\$490,442
321	Accrued Wage/Payroll Taxes Payable	\$99,046	\$0	\$0	\$0	\$0	\$0	\$0	\$99,046
322	Accrued Compensated Absences - Current Portion	\$18,867	\$0	\$0	\$321	\$0	\$1,176	\$0	\$20,364
325	Accrued Interest Payable	\$137,793	\$0	\$0	\$0	\$0	\$0	\$0	\$137,793
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$0	\$0	\$2,627	\$0	\$0	\$2,627
341	Tenant Security Deposits	\$108,788	\$417	\$0	\$7,500	\$0	\$0	\$0	\$116,705
342	Deferred Revenues	\$369,687	\$59	\$0	\$3,460	\$0	\$0	\$0	\$373,206
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$615,000	\$10,265	\$0	\$0	\$0	\$0	\$0	\$625,265
345	Other Current Liabilities	\$4,483	\$116	\$0	\$4,552	\$0	\$83,576	\$0	\$92,727
346	Accrued Liabilities - Other	\$9,600	\$100	\$0	\$36,052	\$0	\$5,764	\$0	\$51,516
347	Interprogram Due To	\$0	\$0	\$0	\$153,748	\$13,637	\$401,963	\$0	\$569,348
310	Total Current Liabilities	\$1,853,706	\$10,957	\$0	\$205,633	\$16,264	\$492,479	\$0	\$2,579,039
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$28,410,000	\$643,386	\$0	\$0	\$0	\$0	\$0	\$29,053,386
354	Accrued Compensated Absences - Non Current	\$49,976	\$0	\$0	\$19,529	\$621	\$85,216	\$0	\$135,342
353	Noncurrent Liabilities - Other	\$1,087,913	\$3,308	\$0	\$31,613	\$0	\$47,496	\$0	\$1,170,330
350	Total Noncurrent Liabilities	\$29,547,889	\$646,694	\$0	\$51,142	\$621	\$112,712	\$0	\$30,359,058
300	Total Liabilities	\$31,401,595	\$657,651	\$0	\$256,775	\$16,885	\$605,191	\$0	\$32,938,097
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	(\$2,333,900)	(\$61,538)	\$0	\$9,038,143	\$0	\$35,972	\$0	\$6,678,677
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$2,819,336	\$29,769	\$0	\$0	\$0	\$1,178,539	\$0	\$4,027,644
512.1	Unrestricted Net Assets	\$4,152,444	\$23,039	\$0	\$1,065,390	\$43,788	(\$178,037)	\$0	\$5,106,624
513	Total Equity/Net Assets	\$4,637,880	(\$8,730)	\$0	\$10,103,533	\$43,788	\$1,036,474	\$0	\$15,812,945
600	Total Liabilities and Equity/Net Assets	\$36,039,475	\$648,921	\$0	\$10,360,308	\$60,673	\$1,641,665	\$0	\$48,751,042

Financial Data Schedule

Line Item No.	Account Description	Business Activities	Rural Rental Housing Loans	Rural Rental Assistance Payments	Low Rent Public Housing	Housing Assistance Program - Section 8 Moderate Rehabilitation	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$7,345,082	\$114,989	\$0	\$367,693	\$0	\$0	\$0	\$7,827,764
704	Tenant Revenue - Other	\$709,396	\$4,316	\$0	\$48,270	\$0	\$0	\$0	\$761,982
705	Total Tenant Revenue	\$8,054,478	\$119,305	\$0	\$415,963	\$0	\$0	\$0	\$8,589,746
706	HUD PHA Operating Grants	\$0	\$0	\$0	\$231,368	\$82,482	\$16,976,265	\$276,453	\$17,566,568
708	Other Government Grants	\$18,850	\$28,012	\$69,477	\$0	\$0	\$0	\$0	\$116,339
711	Investment Income - Unrestricted	\$186,787	\$25	\$0	\$32,622	\$1,638	\$32,885	\$0	\$253,957
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$0	\$12,864	\$0	\$12,864
715	Other Revenue	\$165,732	\$0	\$0	\$6,743	\$0	\$65,222	\$0	\$237,697
716	Gain/Loss on Sale of Fixed Assets	\$2,376,893	(\$2,519)	\$0	(\$120,784)	\$0	\$0	\$0	\$2,253,590
720	Investment Income - Restricted	\$114,483	\$259	\$0	\$0	\$0	\$2,155	\$0	\$116,897
700	Total Revenue	\$10,917,223	\$145,082	\$69,477	\$565,912	\$84,120	\$17,089,391	\$276,453	\$29,147,658
911	Administrative Salaries	\$231,587	\$0	\$0	\$79,815	\$2,044	\$983,497	\$0	\$1,296,943
912	Auditing Fees	\$22,788	\$337	\$0	\$2,360	\$267	\$43,323	\$0	\$69,075
913	Outside Management Fees	\$44,844	\$0	\$0	\$0	\$0	\$0	\$0	\$44,844
914	Compensated Absences	\$4,430	(\$77)	\$0	\$886	\$41	\$10,320	\$0	\$15,600
915	Employee Benefit Contributions - Administrative	\$53,996	\$0	\$0	\$18,719	\$437	\$199,699	\$0	\$272,851
916	Other Operating - Administrative	\$237,471	\$0	\$0	\$26,479	\$1,158	\$369,718	\$0	\$634,826
924	Tenant Services - Other	\$37,263	\$0	\$0	\$0	\$0	\$0	\$0	\$37,263
931	Water	\$200,966	\$1,833	\$0	\$2,443	\$0	\$0	\$0	\$205,242
932	Electricity	\$128,915	\$1,080	\$0	\$4,291	\$0	\$0	\$0	\$134,286
933	Gas	\$2,810	\$0	\$0	\$0	\$0	\$0	\$0	\$2,810
938	Other Utilities Expense	\$678,287	\$15,602	\$0	\$1,619	\$0	\$0	\$0	\$695,508
941	Ordinary Maintenance and Operations - Labor	\$1,285,649	\$20,193	\$0	\$110,547	\$0	\$0	\$0	\$1,416,389
942	Ordinary Maintenance and Operations - Materials and Other	\$470,628	\$3,454	\$0	\$34,947	\$0	\$0	\$0	\$509,029
943	Ordinary Maintenance and Operations - Contract Costs	\$467,744	\$1,759	\$0	\$51,762	\$0	\$0	\$0	\$521,265
945	Employee Benefit Contributions - Ordinary Maintenance	\$306,699	\$8,556	\$0	\$32,112	\$0	\$0	\$0	\$347,367
952	Protective Services - Other Contract Costs	\$77,535	\$0	\$0	\$0	\$0	\$0	\$0	\$77,535
953	Protective Services - Other	\$6,117	\$85	\$0	\$0	\$0	\$0	\$0	\$6,202
961	Insurance Premiums	\$230,226	\$3,218	\$0	\$35,451	\$371	\$119,035	\$0	\$388,301
962	Other General Expenses	\$357,442	\$11,182	\$0	\$51,446	\$27	\$56,207	\$0	\$478,304
963	Payments in Lieu of Taxes	\$0	\$0	\$0	\$35,934	\$0	\$0	\$0	\$35,934
964	Bad Debt - Tenant Rents	\$272,333	\$426	\$0	\$4,611	\$0	\$0	\$0	\$277,370
966	Bad Debt - Other	\$189,615	\$20	\$0	\$24,814	\$0	\$0	\$0	\$214,449
967	Interest Expense	\$2,022,841	\$45,299	\$0	\$0	\$0	\$0	\$0	\$2,068,140
969	Total Operating Expenses	\$7,330,186	\$112,967	\$0	\$518,236	\$4,345	\$1,783,799	\$0	\$9,749,533
970	Excess Operating Revenue over Operating Expenses	\$3,587,037	\$32,115	\$69,477	\$47,676	\$79,775	\$15,305,592	\$276,453	\$19,398,125

Financial Data Schedule

Line Item No.	Account Description	Business Activities	Rural Rental Housing Loans	Rural Rental Assistance Payments	Low Rent Public Housing	Housing Assistance Program_Secti on 8 Moderate Rehabilitation	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
973	Housing Assistance Payments	\$0	\$0	\$69,477	\$0	\$73,083	\$14,291,535	\$0	\$14,434,095
974	Depreciation Expense	\$1,334,937	\$20,658	\$0	\$343,070	\$75	\$8,897	\$0	\$1,707,637
900	Total Expenses	\$8,665,123	\$133,625	\$69,477	\$861,306	\$77,503	\$16,084,231	\$0	\$25,891,265
1001	Operating Transfers In	\$204,362	\$0	\$0	\$72,091	\$0	\$0	\$0	\$276,453
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$0	\$0	(\$276,453)	(\$276,453)
1010	Total Other Financing Sources (Uses)	\$204,362	\$0	\$0	\$72,091	\$0	\$0	(\$276,453)	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$2,456,462	\$11,457	\$0	(\$223,303)	\$6,617	\$1,005,160	\$0	\$3,256,393
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$2,181,418	(\$20,187)	\$0	\$10,326,836	\$37,171	\$31,314	\$0	\$12,556,552
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$78,017	\$16,976,265	\$0	\$17,054,282
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$878,990	\$0	\$0	\$878,990
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$957,007	\$16,976,265	\$0	\$17,933,272
1120	Unit Months Available	12,420	240	240	1,655	195	31,515	0	46,265
1121	Number of Unit Months Leased	11,673	236	236	1,574	189	29,058	0	42,966

Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0044 (exp. 04/30/2004)
OMB Approval No. 2577-0157 (exp. 12/31/99)

ORIGINAL

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 Office, 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 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:

WA19P054502-03

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	\$	54,254
B. Funds Disbursed	\$	54,254
C. Funds Expended (Actual Modernization Cost)	\$	54,254
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

Executive Director

For HUD Use Only

The Cost Certificate is approved for audit:

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

X

Date:

04/26/04

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

Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0044 (exp. 04/30/2006)
OMB Approval No. 2577-0157 (exp. 12/31/99)

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 Office, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, DC 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it 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. 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 a verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lead itself to confidential information.

HA Name:

Pierce County Housing Authority

Modernization Project Number:

WA19P054501-05

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	\$	276,453
B. Funds Disbursed	\$	276,453
C. Funds Expended (Actual Modernization Cost)	\$	276,453
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, 380)

Signature of Executive Director & Date:

X

Gaven Heule

Executive Director

For HUD Use Only

The Cost Certificate is approved for audit:

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

X

Date:

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

X

Date:

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

X

Date:

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