Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

Pierce County Housing Authority

Audit Period
January 1, 2007 through December 31, 2007

Report No. 75098

Issue Date
September 29, 2008

WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Washington State Auditor
Brian Sonntag

September 29, 2008

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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January 1, 2007 through December 31, 2007

Federal Summary

Pierce County Housing Authority
January 1, 2007 through December 31, 2007

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

FINANCIAL STATEMENTS

An unqualified opinion was issued on the basic financial statements.

Internal Control Over Financial Reporting:

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

- **Material Weaknesses:** We identified no significant deficiencies that we consider to be material weaknesses.

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

FEDERAL AWARDS

Internal Control Over Major Programs:

- **Significant Deficiencies:** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.

- **Material Weaknesses:** We identified no significant deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed under OMB Circular A-133.

Identification of Major Programs:

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

CFDA No.	Program Title
14.871	Housing Choice Vouchers

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $543,126.

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

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

Pierce County Housing Authority
January 1, 2007 through December 31, 2007

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, 2007, and have issued our report thereon dated July 25, 2008.

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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 25, 2008

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, 2007 through December 31, 2007

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, 2007. 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, 2007.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 25, 2008

Independent Auditor's Report on Financial Statements

Pierce County Housing Authority
January 1, 2007 through December 31, 2007

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, 2007, 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.

As described in Note 10, the Housing Authority is named as a defendant in a number of lawsuits related to personal injury claims. The total claimed damages are in excess of the Housing Authority's loss contingency amount shown on the financial statements and the difference, if realized, could have a material adverse impact on the Housing Authority's financial position.

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, 2007, and the changes in financial position and, where applicable, cash flows 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 an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S.

Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Financial Data Schedule and HUD 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 25, 2008

Financial Section

Pierce County Housing Authority
January 1, 2007 through December 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Pierce County Housing Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

The Authority experienced a decrease of $1.5 million in net assets during 2007. While operating revenues increased by 2%, total operating expenses also increased, by 10% over 2006.

Significant 2007 Financial Events

- Average occupancy rates increased in 2007 by 2%, netting additional tenant related revenues in the amount of $263,000.
- During 2007, the Housing Authority provided an additional $375,000 in housing assistance subsidies to low-income households in Pierce County.
- Expanding health insurance coverage to include all family members for of all the Authority's regular full-time employees, the Authority incurred an additional $165,000 in expenses related to providing the additional benefit.
- The Housing Authority was the target of personal injury claims at one of it's apartment communities. Activity on the legal defense for those claims escalated in 2007. The legal defense, together with mitigation settlements and an accrued contingent liability for unsettled portions of the claim comprise nearly $1.3 million of the operating expense increase experienced between 2006 and 2007.

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.

Escalation of legal activity and the subsequent mitigation settlements during 2007 is substantially the full cause of the decreases identified in the Authority's key financial measures as below discussed.

	Key Financial Measures	
	2007	**2006**
Working Capital	3,527,375	5,261,360
Working Capital Ratio	244.62%	340.12%
Long-term Liabilities to Net Assets	198.46%	184.39%
Return on Assets	-3.37%	0.51%
Return on Net Assets	-10.61%	1.52%
Cash Flow before Debt Service	2,045,832	3,755,684
Debt Service	2,360,013	2,351,690
Debt Service Coverage	87%	160%

- Working capital measures the Authority's available financial resources to meet its short-term obligations. Working capital was used during 2007 for pay expenses associated with the previously discussed personal injury claims. The Authority has sufficient resources to pay its current obligations.

- Because the Authority did not generate more revenue than expenses during 2007, the return on assets and return on net assets are both negative. The debt-to-equity ratio decreased substantially due to the Authority's use of it's reserves to pay for the additional legal activity and mitigation settlements during the year; however it is noted that all debt service is structured to be paid from current on-going rental activity.

- 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 decreased substantially from 2006 to 2007, mainly due to increased operating expenses. 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 included in these financial statements.

Assisted Housing Programs

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

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 non-financial factors, however, such as changes in the Authority's funding structures and the condition of the Authority's housing stock, to assess the overall financial health of the Authority.

THE AUTHORITY AS A WHOLE

The Authority's net assets decreased by approximately $1.5 million from a year ago. In contrast, last year's net assets increased by approximately $243,000. The following analysis focuses on the changes in assets, liabilities and net assets of the Authority's operations as a whole.

	NET ASSETS		Percentage
	2007	**2006**	**Change**
Current and Other Assets	$ 11,776,647	$ 13,477,635	-12.62%
Capital Assets, Net	33,986,717	34,376,031	-1.13%
Total Assets	45,763,364	47,853,666	-4.37%
Long Term Libilities	28,808,294	29,606,271	-2.70%
Current Liabilities	2,439,032	2,191,107	11.32%
Total Liabilities	31,247,326	31,797,378	-1.73%
Net Assets:			
Invested in Capital Assets, Net of Debt	7,007,457	6,819,940	2.75%
Restricted	5,264,315	4,744,179	10.96%
Unrestricted	2,244,266	4,492,169	-50.04%
Total Net Assets	$ 14,516,038	$ 16,056,288	-9.59%

Total net assets of the Authority decreased by 9.59%. 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 decreased by approximately $2.2 million from 2006 to 2007. A significant factor in this decrease was use of unrestricted cash for expenses related to previously mentioned personal injury claims and the associated mitigation as well as capital additions. The increase in investment in capital assets is caused by several offsetting factors. Capital additions paid from operating cash flow increased this net asset category while related asset disposals decreased this 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. Increases in restricted net assets correspond to increases in restricted cash balances. Congress imposed a change in HUD's Housing Assistance Payments program in 2005, which placed additional restrictions on certain appropriations received in fiscal years 2005-2007.

The Authority's total operating revenues reflected in the following chart increased 2% from 2006 to 2007. This was mainly due to an increase in occupancy of the apartment rental units operated by the Authority. Operating costs also increased, based primarily on the previously discussed personal injury claims experienced at one of the Authority's apartment communities.

	CHANGES IN NET ASSETS 2007	2006	Percentage Change
Rent and Other Tenant Revenues	$ 8,553,989	$ 8,048,047	6.29%
Annual Contributions (HUD)	17,868,494	17,701,177	0.95%
Other Revenues	179,786	243,142	-26.06%
Total Operating Revenues	26,602,269	25,992,366	2.35%
Apartment Operations and Administration	8,669,545	6,232,818	39.10%
Assisted Housing Operations and Administration	18,085,584	18,153,796	-0.38%
Total Operating Expenses	26,755,129	24,386,614	9.71%
Net Operating Income	(152,860)	1,605,752	-109.52%
Gain (Loss) on Disposition of Assets	(428,858)	(430,943)	-0.48%
Insurance Proceeds	5,331	2,639	102.01%
Interest Revenue	465,881	488,145	-4.56%
Interest Expense	(1,668,240)	(1,695,697)	-1.62%
Net Non-Operating Income (Expense)	(1,625,886)	(1,635,856)	-0.61%
Capital Grant Contributions	238,496	273,447	-12.78%
Increase (Decrease) in Net Assets	$ (1,540,250)	$ 243,343	-732.95%
Net operating income-Apartments	$ (625,815)	1,453,406	-143.06%
Net operating income-Assisted Housing	$ 472,955	152,346	210.45%

The net affect of these revenue and expenditure changes decreased net operating income by approximately $1.8 million or 110%. The 2007 loss on disposed assets is directly related to major exterior renovation projects and the upgrade of the interior living spaces of both the apartment buildings and single family residential units. The combination of all of these factors resulted in the current year decrease in net assets of $1.5 million in 2007, compared to the 2006 increase in net assets of $243,000.

Budgetary Highlights

The Authority's executive staff developed its 2007 budget in December 2006. Learning of an escalation of activities concerning personal injury claims at one of it's apartment communities, there was one revision made to budget during the year.

The Authority exceeded its 2007 revenue targets by approximately $211,000 but only spent approximately $68,000 more than its operating expense budget. The Authority did not realize expected gains associated with the sales through it's Homeownership program making up any relative budget variances for 2007. The main factors causing the variances are as follows:

- Occupancy rates increased 14% over market norms during 2007.
- While the Authority paid more housing assistance subsidies in 2007 than in the prior year, the amount paid was less than planned because of increased difficulties locating and qualifying for housing in the general rental market experienced by those households participating in the low income assisted housing program.
- Increased lending restrictions barred previously qualifying participants of the Low-Income Public Housing program from being able to obtain partial financing for the purchase of homes. As a result, there were no home sales during 2007 that would have contributed gains to the Authority.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the Authority had $33.7 million invested in its portfolio of housing stock and $0.3 million invested in assets used in administration and program support. This amount represents a net decrease (including additions, sales, disposals and depreciation) of $389,000 or 1%, from last year.

The reductions to capital assets are due to the assets replaced by major maintenance and building addition projects. This year's major additions include the major capital improvement projects as well as costs incurred for interior modernization activities.

The Authority maintains capital replacement reserves under a bond indenture and under a loan agreement requirement. As of December 31, 2007, the Authority has approximately $58,000 in reserves held specifically for capital replacements on the pooled housing refunding bonds and a Rural Development project. The Authority's fiscal-year 2008 capital budget calls for it to spend $1.6 million 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 additionally 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 $28.4 million in bonds and loans outstanding versus $29.1 million last year, a decrease of 2%.

The reduction in Housing Revenue Bonds Rural Development Program Loans was from normal, recurring, principal payments.

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 considered many factors when setting the preliminary fiscal year 2008 budget. One of those factors is the economy and its impact on the multi-family housing rental market within the Authority's service area. Additionally, the Authority's preliminary budget assumes a slight decrease in apartment revenues because certain improvement activities will require vacating effected apartments. At the time this report was published, HUD had not released funding amount information for the programs operated and funded through the Section 8 Housing Choice Voucher and Low-Income Public Housing Programs. Operating expenses in 2008 are expected to increase with changes in market prices for variable cost items and routine wage and benefit cost increases; however the Authority does not expect to incur the level of expenses associated with the legal activity and personal injury settlement claims as that experienced in 2007.

In consideration of these estimates, the Authority's unrestricted net assets are expected to remain substantially unchanged by the close of 2008. 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, 2007

ASSETS	
Current Assets	
Cash and Cash Equivalents	2,520,726
Restricted Cash and Cash Equivalents	3,058,732
Accounts Receivable/prepaids (net)	317,742
Notes Receivable	20,206
Inventory	49,001
TOTAL CURRENT ASSETS	5,966,407
Non Current Assets	
Restricted Cash, Cash Equivalents and Investments	3,443,652
Notes Receivable	948,455
Deferred charges (net)	1,418,133
Capital Assets:	
Land	6,363,549
Buildings and equipment	43,375,555
Less accumulated depreciation	(15,752,387)
TOTAL NON CURRENT ASSETS	39,796,957
TOTAL ASSETS	45,763,364
LIABILITIES	
Accounts Payable	696,731
Accrued Interest Payable	135,241
Tenant Deposits and Prepaid Rent	223,796
Other Accrued Liabilities	348,893
Accrued Payroll & Compensated Absences	205,798
Deferred Grant Revenue	136,800
Current portion of long term liabilities	691,773
TOTAL CURRENT LIABILITIES	2,439,032
Non Current Liabilities	
Long term liabilities, Capital	27,705,620
Tenant Deposits, Compensated Absences, Other Non-Current Liabilities and Deferred Revenue	1,102,674
TOTAL LIABILITIES	31,247,326
NET ASSETS	
Invested in Capital Assets, net of related debt	7,007,457
Restricted	5,264,315
Unrestricted	2,244,266
TOTAL NET ASSETS	14,516,038
TOTAL LIABILITIES AND NET ASSETS	45,763,364

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, 2007

OPERATING REVENUES	
Dwelling Rent	7,806,723
Tenant Charges	524,361
Laundry	27,889
Utilities	28,691
Other Income	166,325
Other Operating Grants	179,786
Annual Contributions (HUD) & Operating Grants	17,868,494
TOTAL OPERATING REVENUES	26,602,269
OPERATING EXPENSES	
Administration	2,202,417
Tenant Services	44,100
Utilities	1,084,986
Maintenance Costs	2,206,033
On Site Salaries and Benefits	645,869
General Operational Costs	3,442,917
Other	257,265
Independent Audit Costs	90,400
Housing Assistance Payments	15,053,662
Depreciation	1,648,318
Amortization	79,162
TOTAL OPERATING EXPENSES	26,755,129
OPERATING INCOME	(152,860)
NONOPERATING REVENUES(EXPENSES)	
Gain (Loss) on Disposition of Assets	(428,858)
Insurance Settlement Proceeds/Other Awards	5,331
Investment Revenue	465,881
Interest Expense	(1,668,240)
Total Nonoperating Revenue (Expenses)	(1,625,886)
INCOME (LOSS) BEFORE CONTRIBUTIONS	(1,778,746)
Capital Contributions	238,496
CHANGE IN NET ASSETS	(1,540,250)
BEGINNING NET ASSETS	16,056,288
TOTAL NET ASSETS ENDING	14,516,038

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, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	8,755,245
Payments to suppliers, employees and landlords	(24,566,885)
Receipts from governments	17,877,280
Net cash provided by operating activities	2,065,640
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES	
Net cash used by non capital financing activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Insurance Settlement Proceeds	5,331
Capital contributions	238,496
Purchases of capital assets	(1,705,070)
Principal paid on capital debt	(655,993)
Interest paid on capital debt	(1,668,240)
Net cash used by capital and related financing activities	(3,785,476)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	3,622,828
Investment of proceeds from sales and maturities of investments	(731,443)
Proceeds from Payoffs of Notes Receivable	150,530
Interest and dividends	489,228
Net cash used by investing activies	3,531,143
Net decrease in cash and cash equivalents	1,811,307
Balances - beginning of the year	7,211,803
Total Cash and Cash Equivalents	9,023,110

Reconcilation of operation income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(152,860)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,648,318
Amortization expense	79,162
Changes in assets and liabilities:	
Receivables, net	349,574
Inventories	48,350
Accounts Payable	183,511
Accrued Expenses	116,600
Tenant Deposits and Prepaid Rent	(148,319)
Accrued Payroll and Compensated absences	70,855
Non Current Liabilties	(129,551)
Net Cash provided by operating activities	2,065,640

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

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 also managed two properties until June 30, 2007, and may still hold a minor amount of assets for those 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. As of July 1, 2007, the Authority ceased participation in the management or contract administration of those properties.

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

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 subaccounts 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 is 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 nonoperating, except for certain capital contributions are used as security for the revenue bonds issued to purchase the apartments. As such, all revenues as defined by the revenue bond indenture are pledged to the housing revenue bond payments until the bonds are defeased.

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

Until June 30, 2007, the Authority managed two properties for other entities. While the Authority ceased its contract administration activities, it may still hold a minor amount of assets for those 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 that were 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 4.52% 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 and other designated Authority programs, except for excess housing assistance or administrative fees appropriated for the Housing Choice Voucher Program in calendar years 2005-2007. Cash held for the Family Permanency Project is considered restricted, as it is restricted 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. Mortgage payments that are due in 2008 are classified as current assets.

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. Generally, buildings are depreciated over forty years and equipment and floor covering are depreciated over 5 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 where 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, 2007 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 6,363,549	$ -	$ -	$ 6,363,549
Construction in Progress	99,082	347,873		446,955
Total Nondepreciable Capital Assets:	6,462,631	347,873	-	6,810,504
Depreciable Capital Assets:				
Buildings	38,523,816	1,048,876	637,323	38,935,369
Equipment & Flooring	3,832,486	308,321	147,576	3,993,231
Total Depreciable Capital Assets:	42,356,302	1,357,197	784,899	42,928,600
Accumulated Depreciation				
Buildings	(11,964,049)	(1,161,445)	222,056	(12,903,438)
Equipment & Flooring	(2,478,853)	(486,873)	116,777	(2,848,949)
Total Depreciable Capital Assets, Net:	27,913,400	(291,121)	446,066	27,176,213
Total Capital Assets, Net	$ 34,376,031			$ 33,986,717

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. The building disposals include the disposition of the declined value for building reconstruction and equipment replacement.

7. Compensated Absences

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

8. 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 the oversight agency and approved.

NOTE 3: DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS

Deposits and Investments		
	Carrying Amount	Bank Balance
Deposits		
Bank Deposits and Cash on Hand	$ 46,350	$ 46,350
	Carrying Amount	Market Value
Evidenced by Securities		
US Treasury and Agencies	496,076	496,076
Other		
Money Market Funds	5,776,861	5,776,861
Investment Agreements and Cash Equivalents held by Bond Trustee	2,703,823	2,703,823
Total Cash Equivalents and Investments	8,976,760	
Total Cash, Cash Equivalents and Investments	$ 9,023,110	

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. The Authority holds a US Treasury Bill, 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 this registered security. 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 has no policy for custodial credit risk separate from State law. 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, 2007 in money-market mutual funds. The authority also holds tenant security deposits in money-market mutual funds.

The US Treasury Bill matures in three months. As a result of this short maturity, the Authority has limited interest rate risk.

Approximately $886,784 of the mutual funds 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 funds. Since these money market mutual funds are not evidenced by securities, they are not subject to custodial credit risk. These money market mutual funds have no maturity dates and are highly liquid. As such, there is limited interest rate risk. These money market mutual funds are not rated.

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 change in the various classifications of the Authority's debt from 2006 to 2007 is as follows:

	Balance Outstanding December 31, 2006	Additions	Payments	Balance Outstanding December 31, 2007	Current Portion
Housing Revenue Bonds	$28,410,000	$ -	$ (645,000)	$27,765,000	$ 680,000
Rural Development Program Loans	643,386	-	(10,993)	632,393	11,773
Total Outstanding Debt at year End	$29,053,386	-	(655,993)	$ 28,397,393	
Less Current Portion of Long Term Debt	(655,993)			(691,773)	691,773
Total Long Term Debt Outstanding	$28,397,393			$ 27,705,620	

The Authority classifies certain liabilities between its current and long-term portions. Tenant security deposits, compensated absences, unclaimed property and Family Self Sufficiency 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 bonds are listed in the following chart:

Non Current Liabilities

	December 31, 2006	Increase	Decrease	December 31, 2007
Family Self Sufficiency	$ 52,039	$ 19,740		$ 71,779
Tenant Security Deposits	96,257	123,968		220,225
Deferred FPP Grant Revenue	897,637	23,347	171,000	749,984
Compensated Absenses	142,789		102,075	40,714
Unclaimed Property	13,907	6,065		19,972
Other Payables	6,249		6,249	-
Total Other Non-Current Liabilities	$ 1,208,878	$ 173,120	$ 279,324	$ 1,102,674

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, 2008. Tenants are allowed to pay for a bond to satisfy their security deposit requirements. These transactions are managed by a third party. The assets held by the third party and the related tenant deposit liabilities are not reflected in the Financial Statements.

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	4.95%-5.9%	2008-2028	$ 26,240,000
Pooled Project B	Refunding for Several Apartments	3,030,000	6.0%	2019-2028	1,525,000
Rural Development Program Loan	Purchase of Apartments	696,219	1.0%	2008-2030	632,393
Total		$ 34,866,219			$ 28,397,393

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, 2004 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	4.95%-5.9%	$ 26,240,000	$ 19,482,010	$ 45,722,010
Pooled Project B	6.0%	1,525,000	1,561,050	3,086,050
Rural Development Program Loan	1.0%	632,393	110,932	743,325
Total		$ 28,397,393	$ 21,153,992	$ 49,551,385

Installments for the Pooled Project A Bonds approximate $2,180,000 per year. Installments for the Pooled Project B Bonds are interest only at $91,500 per year until December 2019 at which time sinking fund payments are required. Sinking fund requirements for the Pooled Project B Bonds range from $130,000 in 2020 to $210,000 in 2028. Installments for the Rural Development Program Loan approximate $27,000 per year.

Authority Wide Debt Service to Maturity

Year	Project A Principal	Project A Interest	Project B Principal	Project B Interest	Rural Development Principal	Rural Development Interest
2008	$ 680,000	$ 1,501,518	$ -	$ 91,500	$ 11,773	$ 15,099
2009	720,000	1,458,273	-	91,500	12,610	14,263
2010	760,000	1,418,853	-	91,500	13,503	13,369
2011	800,000	1,377,273	-	91,500	14,461	12,410
2012	840,000	1,333,533	-	91,500	15,487	11,384
2013-2017	4,980,000	5,905,036	-	457,500	95,567	38,792
2018-2022	6,585,000	4,293,603	440,000	422,850	134,638	5,615
2023-2027	8,795,000	2,101,438	875,000	213,750	189,684	-
2028-2030	2,080,000	92,483	210,000	9,450	144,670	-
	$ 26,240,000	$ 19,482,010	$ 1,525,000	$ 1,561,050	$ 632,393	$ 110,932

Bond issue costs and discounts at December 31, 2007 were $1,418,133, net of accumulated amortization of $1,644,032.

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, 2007.

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). The Department of

Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. 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 and III employer and employee contribution rates. Employee contribution rates for Plan I are established by legislative statue 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 and III 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, 2007 was $49,060. The payroll for employees covered by PERS Plan II for the fiscal year ended December 31, 2007 was $2,360,554. The payroll for employees covered by PERS Plan III was $185,446. The Authority's total payroll for PERS participants was $2,595,061.

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
2007	Employer	5.46%-6.13%	2,845	100%	5.46%-6.13%	136,924	100%	5.46%-6.13%	10,553	100%
	Employee	6.00%	2,944	100%	3.5%-4.15%	90,488	100%	5%-10%	12,001	100%
2006	Employer	2.44%-3.69%	1,615	100%	2.44%-3.69%	65,181	100%	2.44%-3.69%	10,495	100%
	Employee	6.00%	3,202	100%	2.25%-3.50%	61,148	100%	5%-10%	20,689	100%
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%

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

NOTE 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 11/1/2007, which carries a combined single limit of $ 5,000,000 per occurrence.

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

As discussed in NOTE 8, the Authority settled litigation regarding personal injury claims at one of its apartment complexes during 2007. This settlement amount was not (or is not expected to be) covered by existing insurance coverage. As such, litigation settlements for 2007 exceeded insurance coverage. There were no litigation settlements that exceeded insurance, net of deductible amounts, for 2006 and 2005.

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, 2007.

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 2007 through a contribution of $1,595,000 from the Authority's general fund. This contribution was required as a result of the cost of settlement and legal defense that is attributed to one of the properties included in the related revenue bonds.

During the course of its operations, the Authority enters into commitments for various capital projects and major maintenance work. As of December 31, 2007 commitments under these contracts are approximately $312,000.

In connection with performing its operations, the Authority may occasionally be named as a defendant in litigation. Subsequent to December 31, 2007, the Authority was named as a defendant regarding personal injury incurred at one of its apartment complexes. This litigation is similar in nature to that which was settled during 2007 in the amount of $750,000, and as such, management has recorded a contingent liability for the estimated settlement and related defense costs as of December 31, 2007. Management's estimate of the ultimate cost of this litigation is based on the per-claimant amount of the previous settlement and an estimate of the amount of legal defense costs associated with this legal action. However, the ultimate cost of this litigation, could be significantly different than the estimates based upon past similar litigation.

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

NOTE 10: SUBSEQUENT EVENTS

Subsequent to December 31, 2007, the Authority continued to be named as a defendant in personal injury claims similar to the litigation settled in 2007 and discussed in Note 8. Through May 31, 2008, the Authority is named in approximately 45 individual claims. Plaintiffs ask for damages and costs in an amount to be proven at the time of trial. As such, the amounts of the claims are unspecified, and therefore, are not determinable. These claims are not covered by the Authority's existing insurance coverage. Management cannot predict whether additional claims will be filed in the future.

Due to the large number of outstanding claims, the potential for additional claims to be filed in the future and the uncertainty regarding the amounts of the claims, it is possible that the Authority will not have sufficient resources to pursue defense and settlement options similar to the claims settlement costs incurred in 2007. It is also possible that the ultimate disposition of these claims will substantially exceed the recorded estimated liability as of December 31, 2007. Furthermore, it is possible that the ultimate disposition of these claims will have a material adverse effect on the Authority's financial position, liquidity and results of operations.

Pierce County Housing Authority
Schedule of Expenditures of Federal Awards
For The Year Ended December 31, 2007

Federal Agency / Pass-Through Entity	Federal Program Name	CFDA Number	Other ID Number	Pass-Through Awards	Direct Awards	Total
City of Lakewood	Community Development Block Grant	14.218	-	$ 42,180	-	
City of Lakewood Sub-Total				**$ 42,180**	**-**	**$ 42,180**
Pierce County	Community Development Block Grant	14.218	-	$ 165,507	-	
Pierce County Sub-Total				**$ 165,507**	**-**	**$ 165,507**
US Department of Agriculture Rural Housing Service	Rural Rental Housing Loans	10.415	-	-	$ 28,012	
US Department of Agriculture Rural Housing Service	Rural Rental Asistance Payments	10.427	-	-	62,670	
US Department of Agriculture Rural Housing Service Sub-Total				**-**	**$ 90,682**	**$ 90,682**
US Department of Housing and Urban Development	Public and Indian Housing	14.850	-	-	$ 256,046	
US Department of Housing and Urban Development	LI HAP Section 8 Moderate Rehabilitation	14.856	-	-	77,762	
US Department of Housing and Urban Development	Section 8 Housing Choice Vouchers	14.871	-	-	17,200,290	
US Department of Housing and Urban Development	Public Housing Capital Fund Program	14.872	-	-	271,726	
US Department of Housing and Urban Development Sub-Total				**-**	**$ 17,805,824**	**$ 17,805,824**
Total Assistance				**$ 207,687**	**$ 17,896,506**	**$ 18,104,193**

PIERCE COUNTY HOUSING AUTHORITY
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ending December 31, 2007

NOTE A – BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – HOUSING CHOICE VOUCHER PROGRAM EXPENDITURES

As required by the granting agency, the amounts shown on the schedule for the Housing Choice Voucher program (CFDA 14.871) represents amounts awarded to the Housing Authority. Actual Expenditures of the grant during the period were $17,200,290.

Line Item No.	Account Description	Business Activities	Rural Rental Housing Loans	Rural Rental Assistance Payments	Low Rent Public Housing	Moderate Rehabilitat WA054MR00 02	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	2,108,705	63,049	-	283,916	65,055	-	-	2,520,725
115	Cash - Restricted for Payment of Current Liabilities	136,832	46,250	-	-	-	2,555,804	-	2,738,886
113	Cash - Other Restricted	720,165	-	-	9,288	-	62,491	-	791,944
114	Cash - Tenant Security Deposits	287,585	3,519	-	60,180	-	-	-	351,284
100	Total Cash	3,253,287	112,818	-	353,384	65,055	2,618,295	-	6,402,839
121	Accounts Receivable - PHA Projects	-	-	-	-	-	11,262	-	11,262
124	Accounts Receivable - Other Government	194,046	-	-	-	-	-	-	194,046
125	Accounts Receivable - Miscellaneous	33,058	-	-	-	-	-	-	33,058
126	Accounts Receivable - Tenants - Dwelling Rents	90,120	1,132	-	33,594	-	-	-	124,846
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(77,434)	(42)	-	(26,913)	-	-	-	(104,389)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-
127	Notes, Loans, & Mortgages Receivable - Current	20,206	-	-	-	-	-	-	20,206
129	Accrued Interest Receivable	15,080	-	-	-	-	-	-	15,080
120	Total Receivables, net of allowances for doubtful accounts	275,076	1,090	-	6,681	-	11,262	-	294,109
135	Investments - Restricted for Payment of Current Liabilities	188,786	-	-	-	-	-	-	188,786
132	Investments Restricted	2,431,483	-	-	-	-	-	-	2,431,483
142	Prepaid Expenses and Other Assets	37,007	150	-	2,076	15	4,451	-	43,699
143	Inventories	49,001	-	-	-	-	-	-	49,001
143.1	Allowance for Obsolete Inventories	-	-	-	-	-	-	-	-
144	Interprogram Due From	372,689	-	-	-	-	-	-	372,689
150	Total Current Assets	6,607,329	114,058	-	362,141	65,070	2,634,008	-	9,782,606
161	Land	4,131,988	90,100	-	2,141,461	-	-	-	6,363,549
162	Buildings	28,592,392	557,705	-	9,775,920	-	-	-	38,926,017
163	Furniture, Equipment & Machinery - Dwellings	2,433,187	39,266	-	359,744	-	-	-	2,832,197
164	Furniture, Equipment & Machinery - Administration	990,314	-	-	100,715	-	70,006	-	1,161,035
165	Leasehold Improvements	9,352	-	-	-	-	-	-	9,352
166	Accumulated Depreciation	(12,108,944)	(123,649)	-	(3,471,988)	-	(47,806)	-	(15,752,387)
167	Construction In Progress	428,060	-	-	18,895	-	-	-	446,955
160	Total Fixed Assets, Net of Accumulated Depreciation	24,476,349	563,422	-	8,924,747	-	22,200	-	33,986,718
171	Notes, Loans, & Mortgages Receivable - Non Current	948,455	-	-	-	-	-	-	948,455
174	Other Assets	1,418,133	-	-	-	-	-	-	1,418,133
180	Total Non-Current Assets	26,842,937	563,422	-	8,924,747	-	22,200	-	36,353,306

190	Total Assets	33,450,266	677,480	-	9,286,888	65,070	2,656,208	-	46,135,912
312	Accounts Payable <= 90 Days	696,731	-	-	-	-	-	-	696,731
321	Accrued Wage/Payroll Taxes Payable	133,418	-	-	-	-	-	-	133,418
322	Accrued Compensated Absences - Current Portion	40,787	-	-	4,035	94	27,465	-	72,381
324	Accrued Contingency Liability	150,000	-	-	-	-	-	-	150,000
325	Accrued Interest Payable	135,241	-	-	-	-	-	-	135,241
331	Accounts Payable - HUD PHA Programs	-	-	-	-	3,492	-	-	3,492
341	Tenant Security Deposits	289,237	3,525	-	35,995	-	-	-	328,757
342	Deferred Revenues	246,070	511	-	5,482	-	-	-	252,063
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bond	680,000	11,773	-	-	-	-	-	691,773
345	Other Current Liabilities	6,690	-	-	407	-	94,741	-	101,838
346	Accrued Liabilities - Other	43,994	100	-	43,099	-	6,347	-	93,540
347	Interprogram Due To	-	3,271	-	33,048	1,500	334,870	-	372,689
310	Total Current Liabilities	2,422,168	19,180	-	122,066	5,086	463,423	-	3,031,923
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	27,085,000	620,620	-	-	-	-	-	27,705,620
354	Accrued Compensated Absences - Non Current	22,943	-	-	2,270	52	15,449	-	40,714
353	Noncurrent Liabilities - Other	754,274	99	-	9,288	-	77,956	-	841,617
350	Total Noncurrent Liabilities	27,862,217	620,719	-	11,558	52	93,405	-	28,587,951
300	Total Liabilities	30,284,385	639,899	-	133,624	5,138	556,828	-	31,619,874
508	Total Contributed Capital	-	-	-	-	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	(1,870,518)	(68,971)	-	8,924,747	-	22,200	-	7,007,458
511	Total Reserved Fund Balance	-	-	-	-	-	-	-	-
511.1	Restricted Net Assets	2,590,482	46,250	-	9,288	-	2,618,295	-	5,264,315
512.1	Unrestricted Net Assets	2,445,917	60,302	-	219,229	59,932	(541,115)	-	2,244,265
513	Total Equity/Net Assets	3,165,881	37,581	-	9,153,264	59,932	2,099,380	-	14,516,038
600	Total Liabilities and Equity/Net Assets	33,450,266	677,480	-	9,286,888	65,070	2,656,208	-	46,135,912
703	Net Tenant Rental Revenue	7,244,341	115,996	-	440,386	-	-	-	7,800,723
704	Tenant Revenue - Other	575,097	5,844	-	48,641	-	-	-	629,582
705	Total Tenant Revenue	7,819,438	121,840	-	489,027	-	-	-	8,430,305

706	HUD PHA Operating Grants	-	-	-	256,046	77,762	17,200,290	271,726	17,805,824
706.1	Capital Grants	210,484	-	-	-	-	-	-	210,484
708	Other Government Grants	8,786	28,012	62,670	-	-	-	-	99,468
711	Investment Income - Unrestricted	152,334	2,222	-	19,143	3,315	111,013	-	288,027
714	Fraud Recovery	-	-	-	-	-	53,792	-	53,792
715	Other Revenue	215,506	-	-	2,345	-	28,372	-	246,223
716	Gain/Loss on Sale of Fixed Assets	(199,271)	-	-	(229,237)	-	(349)	-	(428,857)
720	Investment Income - Restricted	177,853	-	-	-	-	-	-	177,853
700	Total Revenue	8,385,130	152,074	62,670	537,324	81,077	17,393,118	271,726	26,883,119

911	Administrative Salaries	382,058	-	-	124,599	1,868	993,158	-	1,501,683
912	Auditing Fees	32,776	7,272	-	7,470	288	42,594	-	90,400
914	Compensated Absences	-	-	-	-	-	-	-	-
915	Employee Benefit Contributions - Administrative	95,841	-	-	38,495	505	265,926	-	400,767
916	Other Operating - Administrative	312,378	-	-	12,311	474	293,094	-	618,257
924	Tenant Services - Other	44,232	-	-	-	-	-	-	44,232
931	Water	166,304	1,909	-	5,149	-	-	-	173,362
932	Electricity	121,593	1,404	-	9,035	-	-	-	132,032
938	Other Utilities Expense	717,417	17,189	-	998	-	-	-	735,604
941	Ordinary Maintenance and Operations - Labor	1,110,095	15,804	-	164,850	-	-	-	1,290,749
942	Ordinary Maintenance and Operations - Materials and Other	375,227	2,805	-	61,895	-	-	-	439,927
943	Ordinary Maintenance and Operations - Contract Costs	563,407	2,332	-	52,348	-	-	-	618,087
945	Employee Benefit Contributions - Ordinary Maintenance	457,098	4,769	-	64,279	-	-	-	526,146
952	Protective Services - Other Contract Costs	20,742	15	-	-	-	-	-	20,757
953	Protective Services - Other	5,167	-	-	-	-	-	-	5,167
961	Insurance Premiums	258,732	3,150	-	44,107	500	159,256	-	465,745
962	Other General Expenses	2,421,646	11,636	-	103,337	76	41,174	-	2,577,869
963	Payments in Lieu of Taxes	-	-	-	42,674	-	-	-	42,674
964	Bad Debt - Tenant Rents	129,128	21	-	20,708	-	-	-	149,857
966	Bad Debt - Other	121,424	-	-	19,250	-	-	-	140,674
967	Interest Expense	1,624,259	43,981	-	-	-	-	-	1,668,240
969	Total Operating Expenses	8,959,524	112,287	-	771,505	3,711	1,795,202	-	11,642,229
970	Excess Operating Revenue over Operating Expenses	(574,394)	39,787	62,670	(234,181)	77,366	15,597,916	271,726	15,240,890
973	Housing Assistance Payments	-	-	62,670	3,238	68,338	14,919,416	-	15,053,662
974	Depreciation Expense	1,334,280	19,217	-	363,193	44	10,744	-	1,727,478
900	Total Expenses	10,293,804	131,504	62,670	1,137,936	72,093	16,725,362	-	28,423,369

1001	Operating Transfers In	-	-	-	271,726	-	-	-	271,726
1002	Operating Transfers Out	-	-	-	-	-	-	(271,726)	(271,726)
1010	Total Other Financing Sources (Uses)	-	-	-	271,726	-	-	(271,726)	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(1,908,674)	20,570	-	(328,886)	8,984	667,756	-	(1,540,250)
1102	Debt Principal Payments - Enterprise Funds	-	-	-	-	-	-	-	-
1103	Beginning Equity	5,074,555	17,011	-	9,482,150	50,948	1,431,624	-	16,056,288
1120	Unit Months Available	12,408	240	240	1,549	192	31,596	-	46,225
1121	Number of Unit Months Leased	11,867	233	233	1,435	187	28,401	-	42,356
1117	Administrative Fee Equity	-	-	-	-	-	(419,070)	-	(419,070)
1118	Housing Assistance Payments Equity	-	-	-	-	-	2,518,450	-	2,518,450

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)

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

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

Do not send this form to the above address.

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

HA Name:	Modernization Project Number:
Pierce County Housing Authority	WA19P054501-07

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	$	264,068
B. Funds Disbursed	$	264,068
C. Funds Expended (Actual Modernization Cost)	$	264,068
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: 1/8/08

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

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)

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

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Do not send this form to the above address.

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

HA Name:	Modernization Project Number:
Pierce County Housing Authority	WA19P054502-06

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	$	7,658
B. Funds Disbursed	$	7,658
C. Funds Expended (Actual Modernization Cost)	$	7,658
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)	Date:
X	10/24/07

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)	Date:
X	
Approved: (Director, Office of Public Housing / ONAP Administrator)	Date:
X	

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

ABOUT THE STATE AUDITOR'S OFFICE

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

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office has 300 employees who are located around the state to deliver our services effectively and efficiently. Approximately 65 percent of our staff are certified public accountants or hold other certifications and advanced degrees.

Our regular audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. We also perform fraud and whistleblower investigations. In addition, we have the authority to conduct performance audits of state agencies and local governments.

The results of our audits are widely distributed through a variety of reports, which are available on our Web site. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive program to coordinate audit efficiency and to ensure high-quality audits.

State Auditor	**Brian Sonntag, CGFM**
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Director of Administration	**Doug Cochran**
Director of State and Local Audits	**Chuck Pfeil, CPA**
Director of Performance Audit	**Linda Long, CPA, CGFM**
Director of Special Investigations	**Jim Brittain, CPA**
Director for Legal Affairs	**Jan Jutte**
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