Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Pierce County Housing Authority

For the period January 1, 2016 through December 31, 2016

Published September 29, 2017

Report No. 1020000

Office of the Washington State Auditor
Pat McCarthy

September 29, 2017

Board of Commissioners
Pierce County Housing Authority
Tacoma, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Pierce County Housing Authority
January 1, 2016 through December 31, 2016

SECTION I – SUMMARY OF AUDITOR'S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs:

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

CFDA No.	Program or Cluster Title
14.871	Section 8 Housing Choice Vouchers

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Pierce County Housing Authority
January 1, 2016 through December 31, 2016

Board of Commissioners
Pierce County Housing Authority
Tacoma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Pierce County Housing Authority, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated September 25, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free from material misstatement, we performed tests of the Housing Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

September 25, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Pierce County Housing Authority
January 1, 2016 through December 31, 2016

Board of Commissioners
Pierce County Housing Authority
Tacoma, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Pierce County Housing Authority, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended December 31, 2016. The Housing Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

September 25, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Pierce County Housing Authority
January 1, 2016 through December 31, 2016

Board of Commissioners
Pierce County Housing Authority
Tacoma, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Pierce County Housing Authority, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pierce County Housing Authority, as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The accompanying Financial Data Schedule and HUD form are supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

September 25, 2017

FINANCIAL SECTION

Pierce County Housing Authority
January 1, 2016 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016
Statement of Revenues, Expenses and Changes in Net Position – 2016
Statement of Cash Flows – 2016
Notes to Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1 & PERS 2/3 – 2016
Schedule of Employer Contributions – PERS 1 & PERS 2/3 – 2016
Schedule of Funding Progress PEBB Post Employment Health Care Plan – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2016
Notes to the Schedule of Expenditures of Federal Awards – 2016
Financial Data Schedule – 2016
Actual Modernization Cost Certificate – WA19P054501-16

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Pierce County Housing Authority (Authority) administers a broad range of housing based programs within Pierce County, financed by local and federal sources. The Authority owns and operates 816 dwelling units and provides housing assistance subsidies and self-sufficiency services to another 2,800 households. Our discussion and analysis of the Authority's financial performance provides an overview of the financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- Net operating income for both the affordable housing and assisted housing programs decreased from the prior year by approximately $800,000. The operating results plus non-operating interest expense of approximately $1 million resulted in a decrease in net position of nearly $1.8 million.

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 households, net income from operating the Affordable Housing programs is expected to be very minor. The operation of the Assisted Housing Programs is designed to operate on a break-even basis with a small administrative fee allowed for managing the program for federal agencies; however, reductions in operating subsidies have required the Authority to use its reserves in order to continue operating the programs in line with its mission.

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 HUD and other federal housing programs administered by the Authority which is comprised of the Housing Choice Voucher, Moderate Rehabilitation, Family Self Sufficiency, Low-Income Public Housing and Rural Development programs.

Affordable Housing Programs

This major program is used to account for apartment building operations that are financed and operated in a manner similar to private business enterprise. The intent of the Authority is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through rental revenues. Revenues and expenses related to financing or investing activities are treated as non-operating revenues and expenses in the Statement of Revenues, Expenses and Changes in Net Position. This major program also accounts for the sale and financing of single-family residences under its Homeownership program.

USING THIS ANNUAL REPORT

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

Reporting the Authority as a Whole

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

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

THE AUTHORITY AS A WHOLE

The Authority's net position decreased by approximately $1.8 million during 2016 as compared to a decrease of nearly $4 million in 2015. Approximately $1.5 million of the 2015 decrease is due to the implementation of new pension accounting standards, which is reflected as a prior period adjustment to beginning net position. Approximately $1.7 million of the decrease in 2015 is due to recorded losses on disposal of assets related to new replacements and refurbishments of existing properties. The remaining 2015 decrease is due to several factors including increased costs related to the issuance of new debt, declines in investment revenue, and continuing losses in the assisted housing programs.

The following analysis focuses on the changes in assets, deferred outflows, liabilities, deferred inflows and net position of the Authority's operations. It presents condensed information obtained from the statements of net position.

	NET POSITION		Percentage
	2016	**2015**	**Change**
Current and Other Assets	$ 12,837,476	$11,251,961	14.09%
Capital Assets, Net	25,771,820	27,311,697	-5.64%
Total Assets	38,609,296	38,563,658	0.12%
Deferred Outflows of Resources	410,034	199,132	105.91%
Non Current Liabilities	21,111,594	20,868,871	1.16%
Current Liabilities	3,476,622	1,373,319	153.15%
Total Liabilities	24,588,216	22,242,190	10.55%
Deferred Inflows of Resources	106,818	420,425	-74.59%
Net Position:			
Net Investment in Capital Assets	8,101,813	9,341,010	-13.27%
Restricted	123,124	72,857	68.99%
Unrestricted	6,099,359	6,686,310	-8.78%
Total Net Position	$ 14,324,296	$16,100,177	-11.03%

The decrease in net position invested in capital assets, is caused by several offsetting factors. Depreciation of $1.6 million reduces capital assets, while capital related debt payments of $331,000 increases the net investment in capital assets. $1.2 million of the new FNMA notes issued in 2015 is held in restricted assets, with the offset of unspent proceeds reflected as a reduction of restricted net position and not included in the capital-related debt.

Restricted net position increased slightly. Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The Authority’s expenses in excess of revenues in both the Affordable Housing and the Assisted Housing programs required the use of unrestricted funds.

The Authority's total operating revenues reflected in the following chart increased by 7% or $2.1 million from 2015 to 2016. An increase in HUD contributions for the HCV program and other Federal funding of $1.8 million was offset by $2.3 million increase in Federal program costs. Revenues from tenants increased slightly from 2015 to 2016.

Operating costs in the Affordable Housing and Assisted Housing programs increased as a result of an increase in utilization in the HCV program, increases in staffing to fill positions that had been left vacant following sequestration and normal increases in costs for materials, utilities and payroll. The nature of capital projects changed between 2015 and 2016, which also explains why operating expenses increased and non-operating expenses decreased. In 2015 the focus of capital project expenditures was on major maintenance, remodel and replacement projects. In 2015, there were significant capital additions and disposals reported which resulted in capital additions and approximately $1.7 million in a non-operating loss on asset disposals. In 2016, the focus was on normal maintenance. Maintenance expenses increased by approximately $900,000 from 2015 to 2016 and the loss on disposal of assets decreased by nearly $1.7 million. Overall, operating expenses increased by about $2.9 million or 10.3% from the prior year.

The net effect of these revenue and expense changes decreased net operating income in 2016 by approximately $800,000 from the prior year. The combination of all of these operating and non-operating factors resulted in the current year decrease in net position of about $1.8 million compared to the 2015 decrease in net position of $4 million.

	CHANGES IN NET POSITION		Percentage
	2016	2015	Change
Rent and Other Tenant Revenues	$ 6,385,444	$ 6,106,647	4.57%
Annual Contributions (HUD)	23,873,705	22,044,270	8.30%
Other Revenues	345,486	334,076	3.42%
Total Operating Revenues	30,604,635	28,484,993	7.44%
Gain on Disposition of Assets	16,477	-	N/A
Investment Revenue	28,611	299,419	-90.44%
Total Non-Operating Revenue	45,088	299,419	-84.94%
Affordable Housing Operations and Administration	6,127,494	5,484,817	11.72%
Assisted Housing Operations and Administration	25,306,499	23,018,465	9.94%
Total Operating Expenses	31,433,993	28,503,282	10.28%
Loss on Disposition of Assets	-	1,666,671	-100.00%
Amortization of Bond Discounts	-	38,872	-100.00%
Interest Expense	1,047,030	1,064,056	-1.60%
Total Non-Operating Expense	1,047,030	2,769,599	-62.20%
Increase (Decrease) in Net Position Before Capital Grant Contributions	(1,831,300)	(2,488,469)	-26.41%
Capital Grant Contributions	55,420	27,894	98.68%
Prior Period Adjustment Related to Pensions	-	(1,525,149)	
Increase (Decrease) in Net Position	(1,775,880)	(3,985,724)	-55.44%
Ending Net Position	$ 14,324,296	$16,100,176	-11.03%

Budgetary Highlights

The Authority's executive staff developed its 2017 budget in December 2016. Informal budget revisions were completed during the year in response to operational changes made to adjust for HUD funding shortfalls in the HCV program.

Overall, the Authority's revenues were $840,000 more than expected, and expenses were approximately $900,000 more than budgeted. Revenues for the Assisted Housing programs were approximately $617,000 than projected and operating expenses were about $867,000 more than budgeted. The Affordable Housing program revenue was approximately $225,000 more than anticipated and expenses were $413,000 more than budgeted. The main factors making up substantially all of the variance are as follows:

- Housing assistance and related fee revenues were $579,000 more than expected mainly as a result of HUD funding eligibility increases resulting from an increase in utilization of housing choice vouchers.

- Housing assistance expenses paid to landlords on behalf of the Authority's Section 8 clients was $727,000 more than budgeted and increased administrative costs of $190,000 were as a result of the increased utilization as above mentioned.

- The Authority completed renovation of off-line units earlier than anticipated resulting in increased rental and other tenant revenues of approximately $228,000 in its Affordable Housing program and client income increases elevated rental income by $34,000 in the Low Income Public Housing program.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the Authority had $24.3 million invested in its portfolio of housing stock and $1.5 million invested in assets used in administration and program support. This amount represents a net decrease (including additions, sales, disposals and depreciation) of $1.5 million from last year.

The decrease to capital assets is due to depreciation and some minor additions and disposals.

The Authority maintains capital replacement, repair and other reserves under their new FNMA Notes and under a Rural Development Administration loan agreement requirement. As of December 31, 2016, the Authority has approximately $1.65 million in reserves held specifically for capital replacements or repairs on the three blended LLCs component units and a Rural Development project. The Authority's fiscal-year 2017 capital budget calls for it to spend approximately $1 million for capital projects involving mulit-family projects and the Low Income Public Housing program. These capital improvements will be funded from existing reserves. For additional information, refer to Note 1.D.6.and Note 4 in the notes to the financial statements.

Debt Administration

At year-end, the Authority had $18.9 million in bonds and loans outstanding versus $19.2 million last year, a decrease of 2%. Reductions were a result of normal, recurring principal payments.

The Authority no longer has obligations set forth under bond covenants to maintain pre-determined debt service coverage ratios as those bonds were redeemed during 2015 Additional information regarding long-term debt and related bond covenants is provided in Note 4 of the Authority's notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's appointed commissioners and management considered many factors when setting the preliminary fiscal year 2017 budget. On-going impact of the reduced administrative fee funding has motivated the Authority's management to mirror most operating activities of 2016 in the 2017 budget, adding in factors for inflation, statutory increases and increased housing subsidy utilization..

The investment in capital assets, net of related debt is expected to increase as a result of capital improvements that are expected to be completed in 2017. The restricted net position balance will be reduced primarily by expenditures for capital improvements that will be funded by reserve amounts restricted for that purpose. The Authority expects its unrestricted net position to increase by at least $100,000 by the close of 2017. In order to meet the budget targets, the occupancy targets will need to be met, productivity in managing the assisted housing programs will need to be achieved and expense controls will need to be rigorously enforced.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, renters, housing assistance customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's finance department, at Pierce County Housing Authority, by mail at 1525 108th St S, Tacoma, WA 98444-2613.

PIERCE COUNTY HOUSING AUTHORITY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

ASSETS	
Current Assets	
Cash, Cash Equivalents and Investments	7,661,364
Restricted Cash, Cash Equivalents and Investments	3,195,556
Accounts Receivable/prepaids (net)	245,167
Notes Receivable	11,592
Inventory	10,236
TOTAL CURRENT ASSETS	11,123,915
Non Current Assets	
Restricted Cash and Cash Equivalents	632,723
Notes Receivable	1,080,838
Capital Assets:	
Land	5,295,117
Buildings	35,848,697
Intangible Assets	89,224
Equipment and Flooring	3,448,377
Less accumulated depreciation	(18,909,595)
TOTAL NON CURRENT ASSETS	27,485,381
TOTAL ASSETS	38,609,296
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	410,034
TOTAL DEFERRED OUTFLOWS OF RESOURCES	410,034
LIABILITIES	
Accounts Payable	303,960
Accrued Interest Payable	84,360
Tenant Deposits and Prepaid Rent	221,447
Other Accrued Liabilities	244,081
Accrued Payroll & Compensated Absences	219,112
Prepaid HUD Contributions	2,061,036
Current portion of long term liabilities	342,626
TOTAL CURRENT LIABILITIES	3,476,622
Non Current Liabilities	
Bonds and Loans Payable (net)	18,507,815
Pension Liabilities	2,033,948
Other Post Employment Benefits Liability	378,549
Compensated Absences and Other Non-Current Liabilities	191,282
TOTAL LIABILITIES	24,588,216
Deferred Inflows of Resources	
Grant Advances	62,524
Deferred Inflows Related to Pensions	44,294
TOTAL DEFERRED INFLOWS OF RESOURCES	106,818
NET POSITION	
Net Investment in Capital Assets	8,693,179
Restricted	1,303,558
Unrestricted	4,327,559
TOTAL NET POSITION	14,324,296

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

PIERCE COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
As of December 31, 2016

OPERATING REVENUES	
Dwelling Rent	6,124,060
Tenant Charges	228,106
Laundry	8,944
Utilities	24,334
Other Income	250,368
Other Operating Grants	95,118
Annual Contributions (HUD) & Operating Grants	23,873,705
TOTAL OPERATING REVENUES	30,604,635
OPERATING EXPENSES	
Administration	2,270,943
Tenant Services	4,752
Utilities	1,099,949
Maintenance Costs	2,538,778
On Site Salaries and Benefits	353,390
General Operational Costs	1,285,170
Other	302,043
Independent Audit Costs	109,384
Housing Assistance Payments	21,881,509
Depreciation	1,588,075
TOTAL OPERATING EXPENSES	31,433,993
OPERATING INCOME	(829,358)
NONOPERATING REVENUES (EXPENSES)	
Gain (Loss) on Disposition of Assets	16,477
Investment Revenue	28,611
Interest Expense	(1,047,030)
Total Nonoperating Revenue (Expenses)	(1,001,942)
INCOME (LOSS) BEFORE CONTRIBUTIONS	(1,831,300)
Capital Contributions	55,420
CHANGE IN NET POSITION	(1,775,880)
BEGINNING NET POSITION AS PREVIOUSLY REPORTED	16,100,176
TOTAL NET POSITION ENDING	14,324,296

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	6,768,633
Payments to suppliers, employees and landlords	$	(29,537,005)
Receipts from governments	$	26,029,859
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	3,261,487
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	$	55,420
Purchases of capital assets	$	(248,681)
Proceeds from issuance of capital debt		-
Principal paid on capital debt	$	(331,054)
Interest paid on capital debt	$	(1,047,030)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	$	(1,571,345)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$	3,216,440
Purchase of investments	$	(5,328,985)
Proceeds from Notes Receivable	$	20,088
Interest and dividends	$	64,219
NET CASH USED BY INVESTING ACTIVITIES	$	(2,028,238)
Net increase in cash and cash equivalents	$	(338,096)
Balances - beginning of the year	$	9,577,649
Balances - end of the year	$	9,239,553
Investments	$	2,250,090
Total Cash, Cash Equivalents and Investments	$	11,489,643

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (Loss)	$	(829,358)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	$	1,588,075
Pension expense	$	41,038
Other post employment benefits	$	138,673
Changes in assets and liabilities:		
Receivables, net	$	170,660
Inventories	$	1,105
Accounts Payable	$	(12,747)
Accrued Expenses	$	3,323
Tenant Deposits and Prepaid Rent	$	(4,247)
Accrued Payroll and Compensated absences	$	(11,192)
Prepaid HUD Contributions	$	2,061,036
Advance Payment of Grants	$	110,260
Non Current Liabilities and other	$	4,861
NET CASH PROVIDED BY OPERATING ACITVITIES	$	3,261,487

RECONCILIATION OF TOTAL CASH, CASH EQUIVALENTS AND INVESTMENTS TO THE STATEMENT OF NET POSITION		
Categories Reflected in the Statement of Net Assets		
Current:		
Cash, Cash Equivalents and Investments	$	6,662,145
Restricted Cash and Cash Equivalents	$	3,195,556
Non Current:		
Restricted Cash Equivalents and Investments	$	632,723
Unrestricted Investments	$	999,219
Total Cash, Cash Equivalents and Investments in Cash Flow Statement	$	11,489,643

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.

On January 26, 2012, the Authority's Board of Commissioners adopted a resolution relating to the organization of a nonprofit corporation, Housing Successes, to support the Authority in its goals. On July 10, 2014, the IRS provided a final determination of the tax-exempt status of Housing Successes. While considered a component unit of the Authority, there was no fiscal activity during the year.

During 2014, the Authority established three separate Limited Liability Companies: Chateau Rainier Apartments LLC, DeMark Apartments LLC and Lakewood Village Apartments LLC, for the purpose of debt refunding. The refunding occurred in 2015 and the Authority transferred all assets and liabilities to these three separate legal entities. The Authority implemented the provisions of GASB Statement No. 80 *Blending Requirements for Certain Component units, and amendment of GASB Statement No. 14*. This statement requires that "A component unit should be included in the reporting entity financial statements using the blended method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member…". These three legally separate entities are considered blended component units. Disclosure of these component units are provided in these notes to financial statements.

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

PCHA is the lead and fiscal agency for grants received 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 Bill and Melinda Gates Foundation contributed an initial grant that was paid in advance to the Greater Tacoma Community Foundation, and Building Changes provides an annual contribution for the benefit of the FPP. All amounts related to this program are expected to be settled in 2017. As such, the amount that is expected to be paid in 2017 is reflected as current restricted cash and cash equivalents, with an offsetting amount reflected in grant advances (deferred inflows) in the accompanying financial statements. The not-for-profit consortium providing the required services is not considered a joint venture with PCHA.

B. Program Accounting

The accounts of the Authority are organized on the basis of programs, each of which is considered a separate accounting entity. The operations of each entity are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses as appropriate. Resources are allocated to and accounted for in individual programs based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The operations of the Authority combine the two following major programs that account for separate business-type activities. The Authority uses sub-accounts within these major programs to account for certain funding streams that require separate accounting by State law, HUD regulations or by loan agreements. The two major programs described below are combined into a single enterprise fund for reporting purposes.

Assisted Housing Programs

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

<u>Programs Administered for Assisted Housing</u>

Public Housing: This program accounts for low-rent public housing projects developed and operated by the Authority. HUD provided development grants to allow the Authority to purchase real estate for use in the program and provides operating subsidies and capital improvement grants for ongoing management of the projects. There are 125 single family homes being operated in this program.

Section 8 Housing Choice Voucher Programs: The Section 8 programs provide housing assistance payments for up to approximately 2,800 households who live in private and Authority owned housing. These programs were authorized by Section 8 of the National Housing Act and provide housing assistance payments to landlords and lenders to subsidize rental and mortgage payments for low-income persons.

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

Rural Development: This program provides for special needs populations in rural areas. Rural Development provides both rent subsidies and interest rate subsidies for this specific project which serves 20 elderly or disabled low income households.

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

Affordable Housing Program

This major program is used to account for various business type activity programs administered by the Authority that do not have on-going federal subsidies to fund operations.

<u>Programs Administered for Affordable Housing</u>

Apartments: The operation of 8 multi-family housing projects, consisting of 670 units that are financed and operated in a manner similar to private business enterprises are included in this group. Costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, are recovered primarily through rental revenues. Revenues and expenses related to financing or investing activities are treated as non-operating revenues and expenses in the statement of revenues, expenses and changes in net position.

5H Homeownership: This program accounts for the sale of public housing program homes to current residents. Homes sold under this program are transferred from the Assisted Housing Program to the Homeownership program sub-account within the Affordable Housing program at its net book value. The proceeds of the sales are a combination of cash, for privately financed first mortgages, and second mortgage notes receivable. The Authority holds a “silent second” mortgage that bears no interest. These mortgages are due upon sale of the property or at such time as the family can afford to pay at least $50 per month in debt service as determined under program guidelines. Since the timing of repayment of these notes is uncertain, the investment in the related notes receivable have not been discounted. As such, these notes are stated at their face value in the accompanying statement of net position. There were 20 households served in this program during 2016.

C. Measurement Focus and Basis of Accounting

Basis of Accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. All of the Authority’s programs are considered business-type activities, which use the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues are recognized when they are earned and expenses recognized when incurred. Substantially all transactions in the Affordable Housing Program are considered to be exchange type transactions. Annual HUD Contributions reflected in the Assisted Housing Program are considered to be voluntary non-exchange transactions. Revenues for such transactions are recorded when eligible payments have been earned.

The Authority presents a classified statement of net position, which distinguishes between short-term and long-term assets and liabilities. The criterion used to determine whether an asset or liability is long or short-term is one year. This means that assets that are expected to convert to cash or will benefit the ensuing year’s operations are treated as current assets. Likewise, liabilities that will likely be settled within the ensuing year are treated as current liabilities. Certain liabilities, such as Unclaimed Property and Compensated Absences, are classified into current and long-term portions based upon estimates of the amounts that will be settled during the ensuing year.

D. Specific Assets, Liabilities and Revenue Recognition Policies

1. Cash, Cash Equivalents and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, balances held by the servicer of the notes and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

2. Accounts Receivable

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

3. Restricted Cash Equivalents and Investments

These accounts contain resources restricted by external parties for the blended component units' replacement and repair reserves, housing assistance payments, family self-sufficiency escrow, and other replacement reserves in the various funds. The note servicer holds $1,180,000 in FDIC insured cash accounts pursuant to the Fannie Mae guidelines, that earn interest at a rate computed based upon money market rates published in the Bankrate Monitor by Bankrate, Inc. 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. Funds are held in FSS escrow accounts in the amount of $218,416, and $73,819 is restricted for modernization and development activities for the Low-Income Public Housing and Rural Development programs. Cash and investments of $62,524, held for the Family Permanency Project is considered restricted, as it is restricted for operating expenses of that program. Tenant damage deposits held in trust accounts of $176,345 are considered restricted for return to the tenant or until they are applied to amounts owed by the tenant.

4. Due From and Due to other programs

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

5. Notes Receivable

Notes held by the Authority under its Homeownership and Low-Income Public Housing Programs are stated at the face value of unpaid second mortgages and unpaid rental account debt. Because the ultimate timing of receipt of these funds is uncertain, no discounting of amounts to reflect the time value of money is reflected in these financial statements. Mortgage and rental account payments that are due in 2017 are classified as current assets. In keeping with HUD's Real Estate Assessment Center Financial Data Schedule reporting requirements, mortgage balances that may be past due are considered non-current.

6. Capital Assets

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

The Authority's capitalization policies are as follows:

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

The majority of the Authority's capital assets are apartment buildings acquired as operating units in connection with the issuance of Housing Revenue Bonds, which were repaid in 2015 and replaced with FNMA notes. In most cases, the acquisition price was allocated between land and buildings, with no allocation of the purchase price between major components of the building. In these cases, when major components of a building 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 expenses for non-major maintenance and repairs, which do not add to the value or life of capital assets, are charged to operating expenses as incurred.

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

7. Compensated Absences

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

8. 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 recorded as prepaid rent and is included in current liabilities. HUD contributions for continuing contracts and revenues from local and private grants are recognized as funding is earned. For non-recurring or new HUD contribution contracts, revenue is not recognized until the Authority receives a signed contract or notice of funding allocation.

9. Operating Revenues and Expenses

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

10. Inventory

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

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: LEGAL COMPLIANCE-BUDGETS

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

NOTE 3: DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS

As required by State law, all deposits and investments of the Authority's programs are deposited with Washington State banks, except for the new FNMA loan reserves that are held by other FDIC insured institutions. 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). The Authority has no policy for custodial credit risk separate from State law. The carrying amount is substantially the same as the bank balances as of December 31, 2016.

		2016
Deposits and Investments		
		Carrying Amount
Deposits		
Bank Deposits and Cash on Hand		$ 9,239,553
		Carrying Amount
Evidenced by Securities		
US Treasury and Agencies		2,250,090
Total Cash, Cash Equivalents and Investments		$ 11,489,643

Approximately $12,200 of the bank deposits listed above is held by the Greater Tacoma Community Foundation (GTCF) as agent for the Sound Families Grant. Substantially all of the remaining GTCF funds are invested in US Treasury Notes. These US Treasury Notes ($49,843) all mature in 2017. The unrestricted investments are held in US treasuries and agencies with maturities are as follows:

Investments	Maturity	2016
FAMCA	12/28/2017	$ 561,390
FHLMC	8/25/2017	639,638
US Treasury Notes	1/15/2018	999,219
Total unrestricted investments		2,200,247
GTCF Investments: US Treasury Notes	2017	49,843
Total all US Treasury and Agencies		$ 2,250,090

Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are quoted prices in active markets for identical assets. These valuation inputs are considered most reliable.
Level 2 inputs are quoted prices for similar assets, quoted prices for identical or similar assets in markets that are not active, or other observables. These valuation inputs are considered to be reliable.
Level 3 inputs are significant unobservable inputs and are considered to be the least reliable.

The Authority has the following recurring fair value measurements as of December 31, 2016:

U.S. Government Treasury and Agency Notes of $2,250,050 are valued using quoted prices in an active market for identical assets (Level 1 inputs). The Authority holds no investments that require valuation using levels 2 or 3 inputs.

NOTE 4: CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended December 31, 2016 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 5,315,117	$ -	$ 20,000	$ 5,295,117
Construction in Progress	112,618	-	$ 112,618	-
Total Nondepreciable Capital Assets:	5,427,735	-	132,618	5,295,117
Depreciable Capital Assets:				
Buildings	35,933,096	-	84,399	35,848,697
Intangible Assets	89,224	-	-	89,224
Equipment & Flooring	3,358,495	248,681	158,799	3,448,377
Total Depreciable Capital Assets:	39,380,815	248,681	243,198	39,386,298
Accumulated Depreciation				
Buildings	(14,913,623)	(1,269,173)	41,629	(16,141,167)
Equipment & Flooring	(2,583,230)	(318,872)	133,674	(2,768,428)
Total Accumulated Depreciation	(17,496,853)	(1,588,045)	175,303	(18,909,595)
Total Depreciable Capital Assets, Net:	21,883,962	(1,339,364)	67,895	20,476,703
Total Capital Assets, Net	$ 27,311,697			$ 25,771,820

NOTE 5: LONG TERM OBLIGATIONS

The Authority's long-term obligations consist of FNMA notes issues to the three blended component units, a Rural Development loan, a business activity loan incurred in connection with the purchase of three parcels used for administrative purposes, and a SHB 2060 forgivable loan obtained for a capital improvement project. In addition, the authority records long term liabilities for its pension liabilities, a portion of compensated absences, unclaimed property, escrow accounts associated with the Section 8 and Low-Income Public Housing Family Self Sufficiency Program, and Other Post-Employment Benefits (OPEB).

The change in the various classifications of the Authority's debt from 2015 to 2016 is shown on the following chart.

	Balance Outstanding December 31, 2015	Additions	Payments	Balance Outstanding December 31, 2016	Current Portion
Housing Revenue Bonds	$ -	$ -	$ -	$ -	$ -
Component Units FNMA Loans	$ 18,017,719	-	$ (235,672)	17,782,047	$ 249,366
SHB 2060	65,000	-	-	65,000	-
Rural Development Program Loans	512,822	-	(20,258)	492,564	21,695
Business Activity Loan	585,954	-	(75,124)	510,830	71,565
Total Outstanding Debt at year End	$ 19,181,495	$ -	$ (331,054)	$ 18,850,441	
Less Current Portion of Long Term Debt	(324,598)			(342,626)	342,626
Total Long Term Debt Outstanding	$ 18,856,897			$ 18,507,815	

The Authority has no debt subject to Federal arbitrage regulations. Information for individual debt issues outstanding as of December 31, 2016 is contained in the flowing chart:

Issue	Purpose	Original Balance	Interest Rate Range (%)	Maturity Dates	Outstanding Balance 12/31/2016
FNMA Loan for Chateau Rainier	Refinancing Apartments Debt	10,250,000	5.66%	2017-2046	10,115,930
FNMA Loan for DeMark Apartments	Refinancing Apartments Debt	3,250,000	5.66%	2017-2046	3,207,490
FNMA Loan for Lakewood Village	Refinancing Apartments Debt	4,517,719	5.66%	2017-2046	4,458,627
SHB 2060	Capital Project Montgrove Manor	65,000	0.0%	2041	65,000
Rural Development Loan	Purchase of Apartment Community	696,219	1.0%	2017-2030	492,564
Business Activites Loan	Administrative Building Parcels	1,000,000	Variable (Prime + 1.5%)	2017-2018	510,830
Total		$ 19,778,938			$ 18,850,441

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

Since the FPP grant will be used over several years, a portion is included in other long-term liabilities. The other long-term liabilities represent the estimate of the portion of certain liabilities expected to be liquidated after December 31, 2016. 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.

The non-current liabilities other than bonds and notes are listed in the following chart.

	December 31, 2015	Increase	Decrease	December 31, 2016	Current Portion
Family Self Sufficiency	$ 232,519	$ -	(14,103)	$ 218,416	$ 50,422
Compensated Absences	124,009	3,140	-	127,149	112,845
Unclaimed Property	52,695	3,809		56,504	47,519
Sub-Total	$ 409,223	$ 6,948	$ (14,103)	$ 402,068	
Less Current Portion	(215,786)			(210,786)	210,786
Total Other Non-Current Liabilities	$ 193,437			$ 191,282	
Other Post Employment Liabilities	$ 239,876	$ 138,673		$ 378,549	$ -

Debt Service to Maturity

The balance of individual Authority debt issues are as follows:

Authority Debt Service to Maturity

Issue	Rates	Principal Balance	Interest	Total Debt Service
SHB 2060	0.0%	$ 65,000	$ -	$ 65,000
Rural Development Program Loan	1.0%	492,564	11,155	503,719
Administrative Building Loan	4.75%-Variable	510,830	32,497	543,327
Total		$ 1,068,394	$ 43,652	$ 1,112,046

The balance of individual Authority component units’ loans are as follows:

Component Units' Debt Service to Maturity

Issue	Rates	Principal Balance	Interest	Total Debt Service
FNMA Loan for Chateau Rainier	5.66%	$ 10,115,930	$ 10,496,625	$ 20,612,555
FNMA Loan for DeMark Apartments	5.66%	3,207,490	3,328,200	6,535,690
FNMA Loan for Lakewood Village	5.66%	4,458,626	4,626,418	9,085,044
Total		$ 17,782,046	$ 18,451,243	$ 36,233,289

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

The FNMA notes issued for each of the three component units began debt repayment on January 1, 2016. The monthly and annual installments for the three component units are as follows:

Issue	Monthly	Annual
FNMA Loan for Chateau Rainier	$ 59,231	$ 710,778
FNMA Loan for DeMark Apartments	18,781	225,369
FNMA Loan for Lakewood Village	26,106	313,278
Total	$ 104,118	$ 1,249,425

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

Authority Debt Service to Maturity

	Rural Development Loan		Administrative Building Loan		SHB 2060 Loan	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 21,695	$ 5,177	$ 78,235	$ 23,765	$ -	$ -
2018	23,235	3,637	432,595	8,732	-	-
2019	24,883	1,989	-	-	-	-
2020	26,649	352				
2021	28,501	-				
2022-2026	176,107	-	-		-	-
2027-2031	191,494	-	-	-	-	-
2032-2036	-	-	-	-	-	-
2037-2041	-	-	-	-	65,000	-
2042-2045	-	-	-	-	-	-
Total	$ 492,564	$ 11,155	$ 510,830	$ 32,497	$ 65,000	$ -

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

Component Units' Debt Service to Maturity

	Chateau Rainier Apartments LLC		Demark Apartments LLC		Lakewood Village Apartments LLC	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 141,859	$ 568,919	$ 44,980	$ 180,389	$ 62,525	$ 250,753
2018	150,099	560,678	47,592	177,776	66,157	247,121
2019	158,819	551,959	50,357	175,011	70,000	243,278
2020	168,045	542,732	53,283	172,086	74,066	239,211
2021	177,807	532,971	56,378	168,991	78,369	234,908
2022-2026	1,056,508	2,497,381	334,990	791,853	465,659	1,100,728
2027-2031	1,401,164	2,152,725	444,271	682,571	617,568	948,820
2032-2036	1,858,256	1,695,633	589,202	537,640	819,032	747,355
2037-2041	2,464,460	1,089,429	781,414	345,429	1,086,219	480,168
2042-2045	2,538,913	304,198	805,023	96,454	1,119,031	134,076
Total	$ 10,115,930	$ 10,496,625	$ 3,207,490	$ 3,328,200	$ 4,458,626	$ 4,626,418

Prior Years Defeasance

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

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

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

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

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

On December 1, 1998 Pierce County Housing Authority issued Senior Revenue Bonds of $31,140,000 and $3,030,000 Subordinate bonds at par with an effective interest rate of 5.74%%. These bonds were used to refinance existing short-term debt that was coming due and to defease other debt with higher interest rates and short-term financing. The advance refunding met the requirements of an in-substance defeasance and the old bonds were removed from the Authority's financial statements. These bonds were fully paid in 2015 and as of December 31, 2016 none of these bonds are outstanding.

NOTE 6: DEFINED BENEFIT PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2016. As of December 31, 2016, the Authority has no employees participating in PERS 1, but pursuant to RCW 41.45.060, a portion of employer contributions to PERS Plans 2 and 3 is allocated to PERS 1 to fund the unfunded actuarially accrued liability (UAAL).

Aggregate Pension Amounts – All Plans	PERS 1 UAAL	PERS 2/3	Aggregate Total
Pension liabilities	$ 924,956	$ 1,108,992	$ 2,033,948
Pension assets	$ -	$ -	$ -
Deferred outflows of resources	$ 83,646	$ 326,388	$ 410,034
Deferred inflows of resources	$ -	$ 44,294	$ 44,294
Pension expense/expenditures	$ 126,472	$ 171,779	$ 298,251

State Sponsored Pension Plans

Substantially all Pierce County Housing Authority full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. The Authority has no employees participating in PERS 1 during the year ended December 31, 2016.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	6.12%
Employee PERS Plan 3		varies
Total	11.18%	6.12%

The Authority's actual contributions to the plan were $261,421 for the year ended December 31, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

Assumption Changes:
For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.80% to 7.70%. Assumed administrative factors were updated.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1 UAAL	1,115,404	924,965	761,064
PERS 2/3	2,041,853	1,108,992	(577,294)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the Authority reported a total pension liability of $2,033,948 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1 UAAL	$924,956
PERS 2/3	$1,108,992

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1 UAAL	0.016029%	0.017223%	0.001194%
PERS 2/3	0.020716%	0.022026%	0.00131%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

Due to the increases in the proportionate share of PERS 1 UAAL and PERS 2/3 from June 30, 2015 to June 30, 2016, the Authority has recognized a net increase in pension expense. For the year ended December 31, 2016, the Authority recognized net pension expenses as follows:

	Pension Expense
PERS 1 UAAL	$126,472
PERS 2/3	$171,779
TOTAL	$298,251

A net pension expense of $298,251 for the year ended December 31, 2016 is reflected in the financial statements.

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1 UAAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$
Net difference between projected and actual investment earnings on pension plan investments	$ 23,289	$
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$ 60,357	$
TOTAL	$ 83,646	$ 0

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 59,053	$ 36,610
Net difference between projected and actual investment earnings on pension plan investments	$ 135,709	$ 0
Changes of assumptions	$ 11,462	$
Changes in proportion and differences between contributions and proportionate share of contributions	$ 41,334	$ (80,904)
Contributions subsequent to the measurement date	$ 78,830	$
TOTAL	$ 326,388	$ (44,294)

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1 UAAL	PERS 2/3
2017	$(5,734)	$65,317
2018	(5,734)	65,317
2019	21,388	137,335
2020	13,369	66,901
Total	$23,289	$334,871

NOTE 7: DEFERRED COMPENSATION PLAN

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

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description and Funding Policy

On January 1, 2014, the Authority changed its medical plan for all eligible employees to an agent multiple-employer health care plan offered through the Public Employees Benefits Board (PEBB). PEBB offers retirees access to medical, prescription drug, life dental, vision, disability and long-term care insurance. The Authority pays monthly premiums to PEBB to provide current coverage for medical and other benefits for active employees. These premiums do not pay for a portion of the PEBB benefit to future retirees. The PEBB OPEB plan does not issue a publicly available financial report.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the PEBB, employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

B. Eligibility

There are three general eligibility requirements in order to receive PEBB retiree health insurance.

The retiree must:

- enroll or defer coverage no later than 60 days after the employer-paid or COBRA coverage ends,
- be vested in a Washington state sponsored retirement plan or meet the same age and years of service as is required of state sponsored retirees, and
- receive a monthly retirement plan payment or lump sum payment as allowed by the plan, except Plan 3 members who do not have to receive a retirement plan payment or a lump sum actuarially

equivalent payment as allowed by the plan, but must meet the age and length of service requirements.

Substantially all of the Authority's employees will become eligible for these benefits if they reach normal retirement age while working for the Authority. There are currently no terminated employees or retirees who are eligible to receive these benefits.

C. Benefits

Upon retirement, members have access to medical, prescription drug, life dental, vision, disability and long-term care insurance,

D. Funding Policy

The Washington Health Care Authority (HCA) administers the PEBB benefit plans. For medical insurance, HCA has two claims pools: one covering employees and non-Medicare eligible retirees and one covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employees provide two different subsidies: and explicit subsidy and an implicit subsidy.

The explicit subsidy, permitted under the Revised Code of Washington (RCW) 41.05.085, is a straightforward, set dollar amount for a specific group of people. The explicit subsidy lowers the monthly premium paid by retired members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually.

Claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, so retired members pay a premium based on a pool of members that are, on average, younger and healthier. This results in an implicit subsidy, set up under RCW 41.05.022, from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The implicit and explicit subsidies funded on a pay-as-you-go basis. As such, the funded ratio is 0 %.

E. Annual OPEB Cost and Net OPEB Obligation

The Authority's OPEB cost is calculated based upon the Annual Required Contribution of the employer (ARC). With fewer than 100 total plan members, the Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45. The Authority's required contribution rate was $3,382 per active employee for the year ended December 31, 2016. Total contributions to the plan for the year ended December 31, 2016 were $143,748, which represents 100% of the required contributions.

The following shows the components of the Authority's annual OPEB cost for its third year as a participating employer. Premiums paid into the PEBB plan only cover current benefits for active employees and those premiums are not considered in the ARC or Net OBEB obligation reflected below.

Annual Required Contribution (ARC):	
Normal Cost	$ 92,223
Unfunded Actuarial Accrued Liability (UAAL) Amortization	51,525
Total ARC	143,748
Net OPEB Obligation (NOO) Interest	9,595
NOO Amortization	(13,872)
Annual OPEB Cost	139,471
Contributions	(798)
NOO as of 12/31/2015	239,876
NOO as of 12/31/2016	$ 378,549

The Net OPEB Obligation of $378,549 is included as a noncurrent liability on the Statement of Net Position.

F. Funding Status

As of January 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits for the Authority is $801,666 and the actuarial value of assets was $0 resulting in an Unfunded Accrued Actuarial Liability (UAAL) of $801,666.

Accrued Actuarial Liability (AAL) for Active Employees:	
Implicit Subsudy	$ 28,441
Explicit Subsidy	773,225
Total Active Employees	$ 801,666
Annual Covered Payroll	2,243,004
UAAL as a % of Annual Covered Payroll	35.74%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

G. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, since the Authority joined the plan effective January 1, 2014, only information for 2014, 2015 and 2016 is presented.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Authority has used the alternative measurement method permitted under GASB Statement 45. A single retirement age of 62.4 was assumed for all active members to determine the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow PERS 2 rates used in the June 30, 2015 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by the OSA in the state-wide PEBB study performed in 2015. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial costs method used to determine the Actuarial Accrued Liability (AAL) was Projected Unit Credit. The AAL and Net OPEB Obligation (NOO) are amortized on an open basis as a level dollar over 30 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

A copy of the 2015 Other Post-Employment Benefits Actuarial Valuation Report can be downloaded from the Washington Office of the State Actuary website located at http://osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm.

Significant actuarial methods and assumptions are as follows:

Actuarial Valuation Date	January 1,2015
Actuarial Cost Method	Projected Unit Credit (PUC)
Amortization Method	Closed, level percentage of projected payroll
Remaining Amortization Period	30 years for each new layer of NOO
Asset Valuation Method	N/A, no assets
Actuarial Assumptions:	
Investment Rate of Return	4%
Projected Salary Increases	3.75%
Health Care Inflation Rate	8% initial rate, 5% ultimate rate in 2093
Inflation Rate	3%

NOTE 8: INSURANCE

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

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

The Authority has also purchased their Auto Liability, Auto Physical Damage and Excess Auto coverage's effective 11/1/2014, which carries a combined single limit of $ 5,000,000 per occurrence.

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

There were no litigation settlements that exceeded insurance, net of deductible amounts, for the periods from 2014 to 2016.

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, 2016.

The loans to the three component units required individual insurance on each of the properties that was satisfied by commercial policies. These policies provide coverage for property damage loss as shown

NOTE 9: DEBT SERVICE COVERAGE AND CAPITAL PROJECT COMMITMENTS

The Authority fully redeemed all bonds during 2015 and is no longer under any obligation to specific debt service coverage requirements.

During the course of its operations, the Authority enters into commitments for various capital projects and major maintenance work. At December 31, 2016, there was approximately $68,000 in commitments under these types of contracts.

NOTE 10: 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-Project Governmental Entity	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 11: COMPONENT UNITS

Three component units, organized in 2014, for the purpose of obtaining new debt to refinance existing Authority debt were activated during 2015. As of November 25, 2015, the Chateau Rainier Apartments, LLC, the DeMark Apartments, LLC and the Lakewood Village Apartments LLC received the proceeds of individual loans, secured solely from the individual properties and net revenue obtained from each. The proceeds for these three loans were used to refund the 1998 Pooled Properties Revenue Bonds. The assets and liabilities of the three apartment communities were transferred to each LLC at book value, with the remainder after transfers to refund the 1998 Pooled Properties Revenue Bonds recorded as Due from/Due to Primary Government.

The Authority is the single member of each of these not-for-profit Limited Liability Companies (LLC), and according to GASB Statement No. 80 each are treated as blended component units. Condensed financial information for the three component units are provided in the following schedules.

Condensed Statement of Net Position	**Chateau Rainier Apartments LLC**	**DeMark Apartments LLC**	**Lakewood Village Apartments LLC**
Current Assets	$ 806,447	$ 65,234	$ 305,854
Capital Assets	6,054,727	2,029,132	5,609,683
Other Non-current Assets	246,803	93,585	124,341
Total Assets	7,107,978	2,187,951	6,039,877
Current Liabilities	254,234	99,246	126,806
Long-term Liabilities	9,974,273	3,163,246	4,397,169
Total Liabilities	10,228,507	3,262,492	4,523,975
Defered Inflows	26,113	20,240	16,171
NET POSITION			
Invested (deficit) in Capital Assets	(3,098,693)	(1,084,773)	1,866,762
Restricted	-	-	-
Unrestricted	(47,949)	(10,008)	(367,031)
Total Net Position	$ (3,146,642)	$ (1,094,781)	$ 1,499,731

Condensed Statement of Revenues, Expenses and Changes in Net Position	Chateau Rainier Apartments LLC	DeMark Apartments LLC	Lakewood Village Apartments LLC
Operating Revenues	$ 2,396,609	$ 892,213	$ 1,388,373
Operating Expenses	2,367,949	878,502	1,397,244
Net Operating Income	28,661	13,710	(8,871)
Total Non-operating Income (Expense)	(582,337)	(184,135)	(260,183)
Transfers From (To) Primary Government	-	60,000	-
Change in Net Position	(553,676)	(110,425)	(269,053)
Beginning Net Position	(2,592,966)	(984,356)	1,768,784
Ennding Net Position	$ (3,146,642)	$ (1,094,781)	$ 1,499,731

Condensed Statement of Cash Flows	Chateau Rainier Apartments LLC	DeMark Apartments LLC	Lakewood Village Apartments LLC
Cash Flows from Operations	$ 425,730	$ 147,954	$ 315,937
Cash Flows from Capital and Investing Activities	(723,101)	(205,304)	(400,042)
Net Increase (Decrease) in cash	(297,371)	(57,350)	(84,105)
Cash at Beginning of Year	1,349,246	212,395	511,878
Cash at Ending of Year	$ 1,051,875	$ 155,045	$ 427,773

NOTE 12: SUBSEQUENT EVENTS

PCHA has evaluated subsequent events through August 31, 2017, the date which the financial statements were available to be issued. There were no significant subsequent events.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of Net Pension Liability
PERS Plan 1 UAAL and PERS Plan 2/3
As of June 30, 2016
Last 10 Fiscal Years*

	PERS Plan 1 UAAL		PERS Plan 2/3	
	2016	**2015**	**2016**	**2015**
Employer's proportion of the net pension liability (asset)	0.017223%	0.016029%	0.022026%	0.020716%
Employer's proportionate share of the net pension liability	$ 924,956	$ 838,466	$ 1,108,992	$ 740,194
Employer's covered employee payroll	$ 2,243,004	$ 2,049,548	$ 2,243,004	$ 2,049,548
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	41.24%	40.91%	49.44%	36.12%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%	85.82%	89.20%

* Information Available for 2015 and 2016 only.

Note to Schedule:

The Authority's covered payroll is reported for the years ended December 31, 2016 and 2015. The Authority has no participants in PERS Plan 1 and makes all of its contributions to PERS Plan 2/3. The state allocates a portion of its contribution to fund the PERS Plan 1 Unfunded Accrued Actuarial Liability (UAAL).

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
PERS Plan 1 UAAL and PERS Plan 2/3
As of December 31, 2016
Last 10 Fiscal Years*

	PERS Plan 1 UAAL		PERS Plan 2/3	
	2016	**2015**	**2016**	**2015**
Statutorily or contractually required contributions	$ 111,537	$ 87,763	$ 145,676	$ 112,210
Contributions in relation to the statutorily or contractually required contributions	$ (111,537)	$ (87,763)	$ (145,676)	$ (112,210)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employer payroll	$ 2,243,004	$ 2,049,548	$ 2,243,004	$ 2,049,548
Contributions as a percentage of covered employee payroll	4.97%	4.28%	6.49%	5.47%

* Information Available for 2015 and 2016 only.

Note to Schedule: Contributions above do not include the administrative fee of 0.18%. Administrative fees were $4,209 and $3,673 for 2016 and 2015 respectively.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the Public Employees Benefits Board
Post-Employment Health Care Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	$ -	$ 624,915	$ 624,915	0.00%	$2,016,942	30.98%
1/1/2014	$ -	$ 834,003	$ 834,003	0.00%	$2,247,194	37.11%
1/1/2015	$ -	$ 890,972	$ 890,972	0.00%	$2,243,004	39.72%

NOTES to Required Supplementary Information:

The PEBB OPEB plan does not issue a publicly available financial report. Since the Authority joined the PEBB OPEB plan as of January 1, 2014, only three years of information is available. The schedule of funding progress uses the alternative measurement method permitted under GASB Statement No. 45 for the year ended December 31, 2016.

Pierce County Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Rural Housing Service, Department Of Agriculture	Rural Rental Housing Loans	10.415	2016	-	27,776	27,776	-	1,2
Rural Housing Service, Department Of Agriculture	Rural Rental Assistance Payments	10.427	2016	-	95,118	95,118	-	1,2
CDBG - Entitlement Grants Cluster								
Office Of Community Planning And Development, Department Of Housing And Urban Development (via City of Lakewood)	Community Development Block Grants/Entitlement Grants	14.218	2015	27,644	-	27,644	-	1,2,3
	Total CDBG - Entitlement Grants Cluster:			**27,644**	**-**	**27,644**	-	
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Public and Indian Housing	14.850	2016	-	302,780	302,780	-	1,2,3
Section 8 Project-Based Cluster								
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation	14.856	2016	-	87,912	87,912	-	1,2,3
	Total Section 8 Project-Based Cluster:			**-**	**87,912**	**87,912**	-	
Housing Voucher Cluster								
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Section 8 Housing Choice Vouchers	14.871	2016	-	23,312,197	23,312,197	-	1,2,3
	Total Housing Voucher Cluster:			**-**	**23,312,197**	**23,312,197**	-	
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Public Housing Capital Fund	14.872	2016	-	170,816	170,816	-	1,2
	Total Federal Awards Expended:			**27,644**	**23,996,599**	**24,024,243**	**-**	

The accompanying notes are an integral part of this schedule.

PIERCE COUNTY HOUSING AUTHORITY
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ending December 31, 2016

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – INDIRECT COST RATE

The amount expended includes $1,411,663 claimed as an indirect cost recovery using an approved indirect cost allocation plan. The Housing Authority as not elected to use the 10-percent de Minimis indirect cost rate allowed under Uniform Guidance.

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

Submission Type: Audited/Single Audit   Fiscal Year End: 12/31/2016

	Project Total	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	8 Other Federal Program 1	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
111 Cash - Unrestricted	$503,902	$105,809			$49,933	$684,732	$5,617,992	$137,159	$7,099,527		$7,099,527
112 Cash - Restricted - Modernization and Development								$0			
113 Cash - Other Restricted	$35,118	$46,792			$2,279,759		$1,219,422	$14,143	$3,595,234		$3,595,234
114 Cash - Tenant Security Deposits	$40,850	$6,400					$135,495	$0	$182,745		$182,745
115 Cash - Restricted for Payment of Current Liabilities								$0			
100 Total Cash	$579,870	$159,001	$0	$0	$2,329,692	$684,732	$6,972,909	$151,302	$10,877,506		$10,877,506
121 Accounts Receivable - PHA Projects								$0			
122 Accounts Receivable - HUD Other Projects					$41,640			$0	$41,640		$41,640
124 Accounts Receivable - Other Government								$0			
125 Accounts Receivable - Miscellaneous					$4,615		$990	$0	$5,605		$5,605
126 Accounts Receivable - Tenants	$11,613	$1,146					$31,336	$0	$44,095		$44,095
126.1 Allowance for Doubtful Accounts -Tenants	-$8,329	-$730					-$22,012	$0	-$31,071		-$31,071
126.2 Allowance for Doubtful Accounts - Other					$0		$0	$0	$0		$0
127 Notes, Loans, & Mortgages Receivable - Current						$11,592		$0	$11,592		$11,592
128 Fraud Recovery								$0			
128.1 Allowance for Doubtful Accounts - Fraud								$0			
129 Accrued Interest Receivable							$5,809	$0	$5,809		$5,809
120 Total Receivables, Net of Allowances for Doubtful Accounts	$3,284	$416	$0	$0	$46,255	$11,592	$16,123	$0	$77,670		$77,670
131 Investments - Unrestricted							$561,839	$0	$561,839		$561,839
132 Investments - Restricted							$50,299	$0	$50,299		$50,299
135 Investments - Restricted for Payment of Current Liability								$0			
142 Prepaid Expenses and Other Assets							$179,084	$0	$179,084		$179,084
143 Inventories							$10,237	$0	$10,237		$10,237
143.1 Allowance for Obsolete Inventories							$0	$0	$0		$0
144 Inter Program Due From								$0			
145 Assets Held for Sale								$0			
150 Total Current Assets	$583,154	$159,417	$0	$0	$2,375,947	$696,324	$7,790,491	$151,302	$11,756,635		$11,756,635
161 Land	$2,005,161	$90,100					$3,199,856	$0	$5,295,117		$5,295,117
162 Buildings	$9,862,082	$616,564					$25,370,051	$0	$35,848,697		$35,848,697
163 Furniture, Equipment & Machinery - Dwellings	$396,293	$45,652					$2,248,509	$0	$2,690,454		$2,690,454
164 Furniture, Equipment & Machinery - Administration	$103,625				$113,825		$629,697	$0	$847,147		$847,147
165 Leasehold Improvements								$0			
166 Accumulated Depreciation	-$5,771,499	-$224,334			-$90,336		-$12,823,426	$0	-$18,909,595		-$18,909,595
167 Construction in Progress								$0			
168 Infrastructure								$0			
160 Total Capital Assets, Net of Accumulated Depreciation	$6,595,662	$527,982	$0	$0	$23,489	$0	$18,624,687	$0	$25,771,820		$25,771,820
171 Notes, Loans and Mortgages Receivable - Non-Current						$1,018,837	$50,000	$0	$1,068,837		$1,068,837
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						$12,000		$0	$12,000		$12,000
173 Grants Receivable - Non Current								$0			
174 Other Assets								$0			

176 Investments in Joint Ventures								$0			
180 Total Non-Current Assets	$6,595,662	$527,982	$0	$0	$23,489	$1,030,837	$18,674,687	$0	$26,852,657		$26,852,657
200 Deferred Outflow of Resources	$38,792				$89,637		$281,606	$0	$410,035		$410,035
290 Total Assets and Deferred Outflow of Resources	$7,217,608	$687,399	$0	$0	$2,489,073	$1,727,161	$26,746,784	$151,302	$39,019,327		$39,019,327
311 Bank Overdraft								$0			
312 Accounts Payable <= 90 Days							$303,960	$0	$303,960		$303,960
313 Accounts Payable >90 Days Past Due								$0			
321 Accrued Wage/Payroll Taxes Payable							$106,267	$0	$106,267		$106,267
322 Accrued Compensated Absences - Current Portion	$7,729				$44,057		$54,689	$0	$106,475		$106,475
324 Accrued Contingency Liability								$0			
325 Accrued Interest Payable		$488					$83,872	$0	$84,360		$84,360
331 Accounts Payable - HUD PHA Programs								$0			
332 Account Payable - PHA Projects								$0			
333 Accounts Payable - Other Government								$0			
341 Tenant Security Deposits	$40,850	$6,400					$135,495	$0	$182,745		$182,745
342 Unearned Revenue	$3,966	$714			$2,046,892		$34,022	$14,143	$2,099,737		$2,099,737
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		$21,695					$320,931	$0	$342,626		$342,626
344 Current Portion of Long-term Debt - Operating Borrowings								$0			
345 Other Current Liabilities	$64,115				$84,575		$27,976	$69	$176,735		$176,735
346 Accrued Liabilities - Other		$53			$66,902			$0	$66,955		$66,955
347 Inter Program - Due To								$0			
348 Loan Liability - Current		$0					$0	$0	$0		$0
310 Total Current Liabilities	$116,660	$29,350	$0	$0	$2,242,426	$0	$1,067,212	$14,212	$3,469,860		$3,469,860
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		$470,869					$18,036,946	$0	$18,507,815		$18,507,815
352 Long-term Debt, Net of Current - Operating Borrowings								$0			
353 Non-current Liabilities - Other	$22,647	$390			$150,617		$3,715	$0	$177,369		$177,369
354 Accrued Compensated Absences - Non Current	$2,051				$11,690		$6,932	$0	$20,673		$20,673
355 Loan Liability - Non Current								$0			
356 FASB 5 Liabilities								$0			
357 Accrued Pension and OPEB Liabilities	$133,184				$1,176,482		$1,102,831	$0	$2,412,497		$2,412,497
350 Total Non-Current Liabilities	$157,882	$471,259	$0	$0	$1,338,789	$0	$19,150,424	$0	$21,118,354		$21,118,354
300 Total Liabilities	$274,542	$500,609	$0	$0	$3,581,215	$0	$20,217,636	$14,212	$24,588,214		$24,588,214
400 Deferred Inflow of Resources	$4,190				$9,683		$92,944	$0	$106,817		$106,817
508.4 Net Investment in Capital Assets	$6,595,662	$35,418			$23,489		$2,038,610	$0	$8,693,179		$8,693,179
511.4 Restricted Net Position		$46,792			$49,569		$1,207,197	$0	$1,303,558		$1,303,558
512.4 Unrestricted Net Position	$343,214	$104,580	$0	$0	-$1,174,883	$1,727,161	$3,190,397	$137,090	$4,327,559		$4,327,559
513 Total Equity - Net Assets / Position	$6,938,876	$186,790	$0	$0	-$1,101,825	$1,727,161	$6,436,204	$137,090	$14,324,296		$14,324,296
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$7,217,608	$687,399	$0	$0	$2,489,073	$1,727,161	$26,746,784	$151,302	$39,019,327		$39,019,327

HA Of Pierce County (WA054)
Tacoma, WA
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit   Fiscal Year End: 12/31/2016

	Project Total	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	8 Other Federal Program 1	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$461,042	$143,531					$5,514,712	$0	$6,119,285		$6,119,285
70400 Tenant Revenue - Other	$25,500	$11,057					$224,827	$0	$261,384		$261,384
70500 Total Tenant Revenue	$486,542	$154,588	$0	$0	$0	$0	$5,739,539	$0	$6,380,669	$0	$6,380,669
70600 HUD PHA Operating Grants	$473,596				$23,312,196			$87,912	$23,873,704		$23,873,704
70610 Capital Grants								$0			
70710 Management Fee								$0			
70720 Asset Management Fee								$0			
70730 Book Keeping Fee								$0			
70740 Front Line Service Fee								$0			
70750 Other Fees								$0			
70700 Total Fee Revenue								$0	$0	$0	$0
70800 Other Government Grants		$27,776	$95,118	$27,644				$0	$150,538		$150,538
71100 Investment Income - Unrestricted	$2,663				$15		$22,193	$1	$24,872		$24,872
71200 Mortgage Interest Income								$0			
71300 Proceeds from Disposition of Assets Held for Sale								$0			
71310 Cost of Sale of Assets								$0			
71400 Fraud Recovery					$6,520			$0	$6,520		$6,520
71500 Other Revenue					$46,655		$201,969	$0	$248,624		$248,624
71600 Gain or Loss on Sale of Capital Assets	-$3,525					$41,723	-$21,721	$0	$16,477		$16,477
72000 Investment Income - Restricted		$1				$3,320	$418	$0	$3,739		$3,739
70000 Total Revenue	$959,276	$182,365	$95,118	$27,644	$23,365,386	$45,043	$5,942,398	$87,913	$30,705,143	$0	$30,705,143
91100 Administrative Salaries	$69,698				$669,390	$1,802	$242,892	$2,096	$985,878		$985,878
91200 Auditing Fees	$15,031	$555			$64,302	$2,122	$30,834	$446	$113,290		$113,290
91300 Management Fee								$0			
91310 Book-keeping Fee								$0			
91400 Advertising and Marketing							$6,600	$0	$6,600		$6,600
91500 Employee Benefit contributions - Administrative	$32,354				$308,503	$813	$110,784	$883	$453,337		$453,337
91600 Office Expenses	$4,143	$30			$53,695		$55,578	$247	$113,693		$113,693
91700 Legal Expense	$2,670	$100			$46	$1	$26,005	$0	$28,822		$28,822
91800 Travel	$7,033				$7,811		$1,918	$0	$16,762		$16,762
91810 Allocated Overhead	$92,510				$559,252	$1,731	$598,243	$3,270	$1,255,006		$1,255,006
91900 Other					$22,563	$9	$82,707	$31	$105,310		$105,310
91000 Total Operating - Administrative	$223,439	$685	$0	$0	$1,685,562	$6,478	$1,155,561	$6,973	$3,078,698	$0	$3,078,698
92000 Asset Management Fee								$0			
92100 Tenant Services - Salaries								$0			
92200 Relocation Costs								$0			
92300 Employee Benefit Contributions - Tenant Services								$0			
92400 Tenant Services - Other								$0			
92500 Total Tenant Services	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
93100 Water	$3,293	$3,434					$185,565	$0	$192,292		$192,292
93200 Electricity	$1,457	$1,532					$107,110	$0	$110,099		$110,099

93300 Gas								$0			
93400 Fuel								$0			
93500 Labor								$0			
93600 Sewer	$744	$10,222					$403,682	$0	$414,648		$414,648
93700 Employee Benefit Contributions - Utilities								$0			
93800 Other Utilities Expense		$15,213					$7,891	$0	$23,104		$23,104
93000 Total Utilities	$5,494	$30,401	$0	$0	$0	$0	$704,248	$0	$740,143	$0	$740,143
94100 Ordinary Maintenance and Operations - Labor	$195,234	$1,470					$464,133	$0	$660,837		$660,837
94200 Ordinary Maintenance and Operations - Materials and Other	$81,881	$2,366					$250,339	$0	$334,586		$334,586
94300 Ordinary Maintenance and Operations Contracts	$91,234	$10,141					$1,580,723	$0	$1,682,098		$1,682,098
94500 Employee Benefit Contributions - Ordinary Maintenance	$97,291	$627					$233,681	$0	$331,599		$331,599
94000 Total Maintenance	$465,640	$14,604	$0	$0	$0	$0	$2,528,876	$0	$3,009,120	$0	$3,009,120
95100 Protective Services - Labor								$0			
95200 Protective Services - Other Contract Costs								$0			
95300 Protective Services - Other								$0			
95500 Employee Benefit Contributions - Protective Services								$0			
95000 Total Protective Services	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
96110 Property Insurance	$13,724	$7,065					$120,984	$0	$141,773		$141,773
96120 Liability Insurance	$9,780	$3,043			$72,285	$650	$70,404	$208	$156,370		$156,370
96130 Workmen's Compensation	$13,051	$42			$3,824	$11	$46,857	$3	$63,788		$63,788
96140 All Other Insurance	$4,634						$43,833	$0	$48,467		$48,467
96100 Total insurance Premiums	$41,189	$10,150	$0	$0	$76,109	$661	$282,078	$211	$410,398	$0	$410,398
96200 Other General Expenses	$58,239	$13,207			$196,318		$269,441	$0	$537,205		$537,205
96210 Compensated Absences					$1,061		$6,248	$37	$7,346		$7,346
96300 Payments in Lieu of Taxes	$48,582							$0	$48,582		$48,582
96400 Bad debt - Tenant Rents	$18,515	$519					$110,623	$0	$129,657		$129,657
96500 Bad debt - Mortgages								$0			
96600 Bad debt - Other								$0			
96800 Severance Expense								$0			
96000 Total Other General Expenses	$125,336	$13,726	$0	$0	$197,379	$0	$386,312	$37	$722,790	$0	$722,790
96710 Interest of Mortgage (or Bonds) Payable		$34,390					$1,012,640	$0	$1,047,030		$1,047,030
96720 Interest on Notes Payable (Short and Long Term)								$0			
96730 Amortization of Bond Issue Costs								$0			
96700 Total Interest Expense and Amortization Cost	$0	$34,390	$0	$0	$0	$0	$1,012,640	$0	$1,047,030	$0	$1,047,030
96900 Total Operating Expenses	$861,098	$103,956	$0	$0	$1,959,050	$7,139	$6,069,715	$7,221	$9,008,179	$0	$9,008,179
97000 Excess of Operating Revenue over Operating Expenses	$98,178	$78,409	$95,118	$27,644	$21,406,336	$37,904	-$127,317	$80,692	$21,696,964	$0	$21,696,964
97100 Extraordinary Maintenance								$0			
97200 Casualty Losses - Non-capitalized								$0			
97300 Housing Assistance Payments			$95,118		$21,704,548			$72,261	$21,871,927		$21,871,927
97350 HAP Portability-In					$12,844			$0	$12,844		$12,844
97400 Depreciation Expense	$339,137	$20,719			$52,900	$308	$1,174,805	$205	$1,588,074		$1,588,074
97500 Fraud Losses								$0			
97600 Capital Outlays - Governmental Funds								$0			
97700 Debt Principal Payment - Governmental Funds								$0			
97800 Dwelling Units Rent Expense								$0			
90000 Total Expenses	$1,200,235	$124,675	$95,118	$0	$23,729,342	$7,447	$7,244,520	$79,687	$32,481,024	$0	$32,481,024

10010 Operating Transfer In	$170,816				$461,664		$27,644	$0	$660,124		$660,124
10020 Operating transfer Out	-$170,816			-$27,644			-$461,664	$0	-$660,124		-$660,124
10030 Operating Transfers from/to Primary Government								$0			
10040 Operating Transfers from/to Component Unit								$0			
10050 Proceeds from Notes, Loans and Bonds								$0			
10060 Proceeds from Property Sales								$0			
10070 Extraordinary Items, Net Gain/Loss								$0			
10080 Special Items (Net Gain/Loss)								$0			
10091 Inter Project Excess Cash Transfer In								$0			
10092 Inter Project Excess Cash Transfer Out								$0			
10093 Transfers between Program and Project - In								$0			
10094 Transfers between Project and Program - Out								$0			
10100 Total Other financing Sources (Uses)	$0	$0	$0	-$27,644	$461,664	$0	-$434,020	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$240,959	$57,690	$0	$0	$97,708	$37,596	-$1,736,142	$8,226	-$1,775,881	$0	-$1,775,881
11020 Required Annual Debt Principal Payments	$0	$20,258	$0	$0	$0	$0	$310,796	$0	$331,054		$331,054
11030 Beginning Equity	$7,179,835	$129,100	$0	$0	-$1,199,533	$1,689,565	$8,172,346	$128,864	$16,100,177		$16,100,177
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors								$0			
11050 Changes in Compensated Absence Balance								$0			
11060 Changes in Contingent Liability Balance								$0			
11070 Changes in Unrecognized Pension Transition Liability								$0			
11080 Changes in Special Term/Severance Benefits Liability								$0			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								$0			
11100 Changes in Allowance for Doubtful Accounts - Other								$0			
11170 Administrative Fee Equity					-$1,151,394			$0	-$1,151,394		-$1,151,394
11180 Housing Assistance Payments Equity					$49,569			$0	$49,569		$49,569
11190 Unit Months Available	1503	240	240	0	33484	0	8004	192	43663		43663
11210 Number of Unit Months Leased	1493	233	233	0	30330	0	7791	191	40271		40271
11270 Excess Cash	$359,618							$0	$359,618		$359,618
11610 Land Purchases	$0							$0	$0		$0
11620 Building Purchases	$0							$0	$0		$0
11630 Furniture & Equipment - Dwelling Purchases	$21,689							$0	$21,689		$21,689
11640 Furniture & Equipment - Administrative Purchases	$1,468							$0	$1,468		$1,468
11650 Leasehold Improvements Purchases	$0							$0	$0		$0
11660 Infrastructure Purchases	$0							$0	$0		$0
13510 CFFP Debt Service Payments	$0							$0	$0		$0
13901 Replacement Housing Factor Funds	$0							$0	$0		$0

Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 01/31/2017)

Capital Fund Program (CFP)

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.

PHA Name:	Modernization Project Number:
Pierce County Housing Authority	WA19P054501-16

The PHA 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. Funds Approved	$ 170,816.00
B. Funds Disbursed	$ 170,816.00
C. Funds Expended (Actual Modernization Cost)	$ 170,816.00
D. Amount to be Recaptured (A–C)	$ 0
E. Excess of Funds Disbursed (B-C)	$ 0

2. That all modernization work in connection with the Modernization Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA 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;
5. That the time in which such liens could be filed has expired; and
6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.
7. Please mark one:

☑ A. This grant **will** be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

☐ B. This grant **will not** be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

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)

Name & Title of Authorized Signatory (type or print clearly):

Charles Gray Executive Director

Signature of Executive Director (or Authorized Designee):

X Charles Gray

Date: 5-16-16

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):

Approved for Audit (Director, Office of Public Housing)

X [signature]

Date: 06-06-2016

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):

Approved: (Director, Office of Public Housing)

X

Date:

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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Toll-free Citizen Hotline	(866) 902-3900
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