Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Pierce County Housing Authority

For the period January 1, 2017 through December 31, 2017

Published September 28, 2018

Report No. 1022307

Office of the Washington State Auditor
Pat McCarthy

September 28, 2018

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, 2017 through December 31, 2017

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	Housing Voucher Cluster – 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 $780,077.

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, 2017 through December 31, 2017

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, as of and for the year ended December 31, 2017, 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 24, 2018.

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 24, 2018

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, 2017 through December 31, 2017

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, 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, 2017. 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, 2017.

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 24, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Pierce County Housing Authority
January 1, 2017 through December 31, 2017

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, as of and for the year ended December 31, 2017, 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, 2017, 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 form is 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 24, 2018 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

State Auditor

Olympia, WA

September 24, 2018

FINANCIAL SECTION

Pierce County Housing Authority
January 1, 2017 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017
Statement of Revenues, Expenses and Changes in Net Position – 2017
Statement of Cash Flows – 2017
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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1 & PERS 2/3 – 2017
Schedule of Employer Contributions – PERS 1 & PERS 2/3 – 2017
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2017
Notes to the Schedule of Expenditures of Federal Awards – 2017
Financial Data Schedule – 2017

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 815 dwelling units and provides housing assistance subsidies and self-sufficiency services to approximately 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, 2017. 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 $388,000. The operating results plus non-operating interest expense of approximately $1 million resulted in a decrease in net position of nearly $2.2 million.
- The Authority expended approximately $1.4 million on major maintenance and repair items during the year, such as roof replacements, balcony and stair replacements, interior rehabilitation and remodeling, septic system replacements.

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 Authority's accounting policy changed in 2016 in which major maintenance and repair items such as roof and window replacements, interior remodels and balcony replacements are recognized as an operating expense instead of being capitalized and depreciated over the life of the asset. 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. During 2017 Housing and Urban Development, the primary source of administrative funding for the Authority's largest program, Housing Choice Vouchers, reduced fee eligibility by 77.5%

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 $2.2 million during 2017 as compared to a decrease of nearly $1.8 million in 2016. Approximately $1.4 million of the 2017 decrease is a result of expenditures for major maintenance, repair and renovation of the Authority owned dwelling units. Nearly $600,000 of the negative change to net position was experienced in the Low-Income Public Housing program in which subsidies were prorated to 93% of eligibility and award of an operating grant was deferred to 2018. Approximately $35,000 of the decrease in 2017 is due to recorded losses on disposal of assets related to new replacements of equipment and furnishings; The remaining decrease is due to several factors including increased costs related to salaries and benefits, and increases in utility costs.

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.

	ASSETS AND NET POSITION		Percentage
	2017	2016	Change
Current and Other Assets	$ 9,643,804	$ 12,837,476	-24.88%
Capital Assets, Net	24,467,737	25,771,820	-5.06%
Total Assets	34,111,541	38,609,296	-11.65%
Deferred Outflows of Resource	227,459	410,034	-44.53%
Total Deferred Outflows of Resources	227,459	410,034	-44.53%
Non Current Liabilities	20,066,586	21,111,594	-4.95%
Current Liabilities	1,797,655	3,476,622	-48.29%
Total Liabilities	21,864,241	24,588,216	-11.08%
Deferred Inflows of Resources	302,923	106,818	183.59%
Net Position:			
Invested in Capital Assets, Net of Debt	6,429,295	8,693,179	-26.04%
Restricted	331,192	1,303,558	-74.59%
Unrestricted	5,411,350	4,327,559	25.04%
Total Net Position	$ 12,171,837	$ 14,324,296	-15.03%

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 $347,000 increases the net investment in capital assets. $1.5 million of the new FNMA notes issued in 2015 had been 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. The Authority expended a majority of those funds in 2017 resulting in a net decrease in the investment in capital assets net of related debt, as the related debt is now categorized as capital-related and no longer as restricted-related debt.

Restricted net position decreased approximately $970,000 as a result of the Authority's expenditure of restricted assets for major maintenance, repair and renovation as above mentioned, offset by an increase in housing assistance payment reserves in its Housing Choice Voucher program.

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 completed lender required repairs which changed the classification of assets held for that purpose. Costs for lender required repairs were completed in 2017 at an amount less than what was held as restricted assets increasing the Authority's unrestricted net position by nearly $1.1 million.

Tenant rent and other revenues increased $200,000 in 2017. Additionally, the Authority experienced an increase in HUD contributions for the Housing Choice Voucher program of $2 million, increasing the total operating revenue by $2.2 million or 7.19% over 2016 as shown in the following chart.

	CHANGES IN NET POSITION 2017	2016	Percentage Change
Rent and Other Tenant Revenues	$ 6,497,226	$ 6,385,444	1.75%
Annual Contributions (HUD)	25,863,497	23,873,705	8.33%
Other Revenues	444,803	345,486	28.75%
Total Operating Revenues	32,805,526	30,604,635	7.19%
Insurance Settlements	47,879	-	
Interest Revenue	35,915	28,611	25.53%
Total Non-Operating Revenue	83,794	28,611	192.87%
Apartment Operations and Administration Expense	7,022,102	6,127,494	14.60%
Assisted Housing Operations and Administration	27,001,016	25,306,499	6.70%
Total Operating Expenses	34,023,118	31,433,993	8.24%
Loss (Gain) on Disposition of Assets	34,408	(16,477)	-308.82%
Interest Expense	1,031,949	1,047,030	-1.44%
Total Non-Operating Expense (Income)	1,066,357	1,030,553	3.47%
Increase (Decrease) in Net Assets Before Capital Grant Contributions	(2,200,155)	(1,831,300)	20.14%
Capital Grant Contributions	47,696	55,420	-13.94%
		-	
Increase (Decrease) in Net Position	(2,152,459)	(1,775,880)	21.21%
Ending Net Position	$ 12,171,837	$ 14,324,296	-15.03%

Operating costs in the Affordable Housing and Assisted Housing programs increased as a result of an increase in utilization in the HCV program, normal increases in costs for materials, utilities and payroll. The nature and scope of capital projects changed between 2016 and 2017, which also explains why operating expenses increased. In 2017 the Authority completed major maintenance and repair projects on several of its apartment buildings, rebuilding stairs and balconies and replacing roofs. As a result, maintenance expenses increased by approximately $1 million from 2016 to 2017. Overall, operating expenses increased by about $2.6 million or 8.24% from the prior year.

The net effect of these revenue and expense changes decreased net operating income in 2017 by approximately $370,000 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 $2.2 million compared to the 2016 decrease in net position of $1.8 million.

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 changes in the HCV program.

Overall, the Authority's revenues were $370,000 more than expected, and expenses were approximately $140,000 less than budgeted. Revenues and expenses for the Assisted Housing programs were substantially in line with the revised budget. The Affordable Housing program revenue was approximately $360,000 more than anticipated and expenses were $120,000 less than budgeted. The main factors making up substantially all of the variance are as follows:

- Occupancy in the Affordable Housing program was substantially better than anticipated, likely as a result of the affordability of the Authority's dwelling units in relationship to the current market rate rents in Pierce County.

- Operating expenses for the Affordable Housing programs realized an unexpected savings in maintenance and utility costs as a result of the increased occupancy. Higher occupancy and less turnover of the residential clients reduce the maintenance supplies and services required to prepare the apartments for new residencies and reduces the Authority's utility costs because the utility costs for occupied units are paid by the lessee.

- Certain costs required for marketing and screening in the Affordable Housing program were not required because of the increased and stable occupancy.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the Authority had $23.2 million invested in its portfolio of housing stock and $1.3 million invested in assets used in administration and program support. This amount represents a net decrease (including additions, disposals and depreciation) of $1.3 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, 2017, the Authority has approximately $415,000 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 2018 budget for major maintenance and repair calls for it to spend approximately $1 million for major projects involving multi-family projects and the Low Income Public Housing program. These improvements will be funded from existing reserves.

Debt Administration

At year-end, the Authority had $18.5 million in loans outstanding versus $18.9 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 is provided in Note 5 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 2018 budget. On-going impact of the reduced administrative fee funding has motivated the Authority's management to mirror most operating activities of 2017 in the 2018 budget, adding in factors for inflation, statutory increases and stabilizing housing subsidy utilization.

The investment in capital assets, net of related debt is expected to decrease because reduction of the related debt will be more than the regular on-going depreciation. The restricted net position balance is not expected to experience a substantial change as the major maintenance and repair projects will be funded by unrestricted net position. The Authority expects its unrestricted net position to decrease by approximately $1.2 million attributable to planned maintenance and repair projects of approximately $1 million and use of operating reserves in the Low-Income Public Housing program that will be required because of operating subsidy reductions. In order to meet the budget targets, the occupancy targets will need to be met, planned rental rate increases will need to be implemented, 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 clients, 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, 2017

ASSETS	
Current Assets	
Cash, Cash Equivalents and Investments	6,960,658
Restricted Cash, Cash Equivalents and Investments	549,040
Accounts Receivable/prepaids (net)	428,734
Notes Receivable	13,593
Inventory	15,434
TOTAL CURRENT ASSETS	7,967,459
Non Current Assets	
Restricted Cash and Cash Equivalents	626,143
Notes Receivable	1,050,202
Capital Assets:	
Land	5,295,117
Buildings	35,867,280
Intangible Assets	89,224
Equipment and Flooring	3,553,852
Less accumulated depreciation	(20,337,736)
TOTAL NON CURRENT ASSETS	26,144,082
TOTAL ASSETS	34,111,541
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	227,459
TOTAL DEFERRED OUTFLOWS OF RESOURCES	227,459
LIABILITIES	
Accounts Payable	370,849
Accrued Interest Payable	83,070
Tenant Deposits and Prepaid Rent	225,346
Other Accrued Liabilities	185,840
Accrued Payroll & Compensated Absences	211,006
Current portion of long term liabilities	721,544
TOTAL CURRENT LIABILITIES	1,797,655
Non Current Liabilities	
Bonds and Loans Payable (net)	17,781,469
Pension Liabilities	1,572,042
Other Post Employment Benefits Liability	527,832
Compensated Absences and Other Non-Current Liabilities	185,243
TOTAL LIABILITIES	21,864,241
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	302,923
TOTAL DEFERRED INFLOWS OF RESOURCES	302,923
NET POSITION	
Net Investment in Capital Assets	6,429,295
Restricted	795,763
Unrestricted	4,946,780
TOTAL NET POSITION	12,171,838

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

PIERCE COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES	
Dwelling Rent	6,271,474
Tenant Charges	185,711
Laundry	13,500
Utilities	26,541
Other Income	353,416
Other Operating Grants	91,387
Annual Contributions (HUD) & Operating Grants	25,863,497
TOTAL OPERATING REVENUES	32,805,526
OPERATING EXPENSES	
Administration	2,362,502
Tenant Services	3,910
Utilities	1,145,023
Maintenance Costs	3,584,907
On Site Salaries and Benefits	353,947
General Operational Costs	1,121,269
Other	154,411
Independent Audit Costs	96,471
Housing Assistance Payments	23,614,300
Depreciation	1,586,378
TOTAL OPERATING EXPENSES	34,023,118
OPERATING INCOME	(1,217,592)
NONOPERATING REVENUES (EXPENSES)	
Gain (Loss) on Disposition of Assets	(34,408)
Insurance Settlements	47,879
Investment Revenue	35,915
Interest Expense	(1,031,949)
Total Nonoperating Revenue (Expenses)	(982,563)
INCOME (LOSS) BEFORE CONTRIBUTIONS	(2,200,155)
Capital Contributions	47,696
CHANGE IN NET POSITION	(2,152,459)
BEGINNING NET POSITION AS PREVIOUSLY REPORTED	14,324,296
TOTAL NET POSITION ENDING	12,171,837

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 6,950,668
Payments to suppliers, employees and landlords	(32,871,094)
Receipts from governments	23,802,461
NET CASH PROVIDED BY OPERATING ACTIVITIES	(2,117,965)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from insurance settlements	47,879
Capital contributions	47,696
Purchases of capital assets	109,790
Principal paid on capital debt	(475,633)
Interest paid on capital debt	(1,031,949)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,302,217)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	(3,984,251)
Purchase of investments	2,984,251
Proceeds from Notes Receivable	30,636
Interest and dividends	35,915
NET CASH USED BY INVESTING ACTIVITIES	(933,449)
Net increase in cash and cash equivalents	(4,353,631)
Balances - beginning of the year	11,489,643
Balances - end of the year	7,136,012
Investments	999,829
Total Cash, Cash Equivalents and Investments	$ 8,135,841

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (Loss)	$ (1,217,592)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,586,378
Pension expense	(20,702)
Other post employment benefits	(149,283)
Changes in assets and liabilities:	
Receivables, net	(183,567)
Inventories	(5,198)
Accounts Payable	(66,889)
Accrued Expenses	64,280
Tenant Deposits and Prepaid Rent	(3,899)
Accrued Payroll and Compensated absences	8,106
Prepaid HUD Contributions	(2,061,036)
Advance Payment of Grants	(62,524)
Non Current Liabilities and other	(6,039)
NET CASH PROVIDED BY OPERATING ACITVITIES	$ (2,117,965)

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	6,960,658
Restricted Cash and Cash Equivalents	549,040
Non Current:	
Restricted Cash Equivalents and Investments	626,143
Total Cash, Cash Equivalents and Investments in Cash Flow Statement	$ 8,135,841

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, an 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 was the lead and fiscal agency for grants received for the Family Permanency Project (FPP). While PCHA had 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 were settled in 2017. The not-for-profit consortium providing the required services was 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.

Programs Administered for Assisted Housing

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

Programs Administered for Affordable Housing

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

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 19 households served in this program during 2017.

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 $464,729 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. $251,402 is being held for the Housing Choice Voucher housing assistance payments, and is considered restricted as it is specially appropriated for the payment of housing assistance in the HCV program. 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 $199,965, and $54,652 is restricted for modernization and development activities for the Low-Income Public Housing and Rural Development programs. Tenant damage deposits held in trust accounts of $179,455 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 2018 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 its Low Income and Capital Fund programs so certain larger repairs or maintenance like roof replacements are capitalized. Major maintenance and repairs in the Authority's other programs 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, and equipment and flooring in the Authority's other programs. 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

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Vacation pay, which may be accumulated up to 120 hours annually, is payable to the employee based upon terms of the collective bargaining agreement or employment policy whichever is applicable. An employee may accrue up to a maximum of 480 hours of sick pay and is payable upon terms of the collective bargaining agreement or employment policy whichever is applicable. 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, 2017.

	2017
Deposits and Investments	
	Carrying Amount
Deposits	
Bank Deposits and Cash on Hand	$ 7,136,012
	Carrying Amount
Evidenced by Securities	
US Treasury and Agencies	999,829
Total Cash, Cash Equivalents and Investments	$ 8,135,841

Approximately $999,829 of the bank deposits listed above is in the form of a US Treasury Note. The unrestricted US Treasury Note investment is held by Key Bank N.A.

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, 2017:

A U.S. Treasury Note of $999,829 is 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, 2017 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 5,295,117	$ -		$ 5,295,117
Construction in Progress	-	-		-
Total Nondepreciable Capital Assets:	5,295,117	-	-	5,295,117
Depreciable Capital Assets:				
Buildings	35,848,697	18,583	-	35,867,280
Intangible Assets	89,224	-	-	89,224
Equipment & Flooring	3,448,377	298,120	192,645	3,553,852
Total Depreciable Capital Assets:	39,386,298	316,703	192,645	39,510,356
Accumulated Depreciation				
Buildings	(16,141,167)	(1,269,118)		(17,410,285)
Equipment & Flooring	(2,768,428)	(317,260)	158,237	(2,927,451)
Total Accumulated Depreciation	(18,909,595)	(1,586,378)	158,237	(20,337,736)
Total Depreciable Capital Assets, Net:	20,476,703	(1,269,675)	34,408	19,172,620
Total Capital Assets, Net	$ 25,771,820			$ 24,467,737

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 2016 to 2017 is shown on the following chart.

	Balance Outstanding	Additions	Payments	Balance Outstanding December 31, 2017	Current Portion
Housing Revenue Bonds	$ -	$ -	$ -	$ -	$ -
Component Units FNMA Loans	$ 17,782,047	-	$ (249,363)	17,532,684	$ 263,849
SHB 2060	65,000	-	-	65,000	-
Rural Development Program Loans	492,564	-	(19,830)	472,734	25,100
Business Activity Loan	510,830	-	(78,235)	432,595	432,595
Total Outstanding Debt at year End	$ 18,850,441	$ -	$ (347,428)	$ 18,503,013	
Less Current Portion of Long Term Debt	(342,626)			(721,544)	721,544
Total Long Term Debt Outstanding	$ 18,507,815			$ 17,781,469	

The Authority has no debt subject to Federal arbitrage regulations. Information for individual debt issues outstanding as of December 31, 2017 is contained in the following chart:

Issue	Purpose	Original Balance	Interest Rate Range (%)	Maturity Dates	Outstanding Balance 12/31/2017
FNMA Loan for Chateau Rainier	Refinancing Apartments Debt	10,250,000	5.66%	2016-2046	9,974,071
FNMA Loan for DeMark	Refinancing Apartments Debt	3,250,000	5.66%	2016-2046	3,162,510
FNMA Loan for Lakewood Village	Refinancing Apartments Debt	4,517,719	5.66%	2016-2046	4,396,102
SHB 2060	Capital Project Montgrove Manor	65,000	0.0%	2041	65,000
Rural Development Loan	Purchase of Apartment Community	696,219	1.0%	2014-2030	472,734
Business Activites Loan	Administrative Building Parcels	1,000,000	4.75%- Variable (Prime + 1.5%)	2014-2018	432,595
Total		$19,778,938			$ 18,503,013

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. The long-term liabilities represent the estimate of the portion of certain liabilities expected to be liquidated after December 31, 2018. 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, 2016	Increase	Decrease	December 31, 2017	Current Portion
Family Self Sufficiency	$ 218,416		$ (18,451)	$ 199,965	$ 38,551
Compensated Absences	127,149	7,754		134,903	117,582
Unclaimed Property	56,504	3,651		60,155	53,647
Sub-Total	$ 402,069	$ 11,405	$ (18,451)	$ 395,023	
Less Current Portion	(210,786)			(209,780)	209,780
Total Other Non-Current Liabilities	$ 191,283			$ 185,243	
Pension Liabilities	$ 2,033,948	$ 461,906		$ 1,572,042	$ -
Other Post Employment Liabilities	378,549	149,283		527,832	-
	$ 2,412,497	$ 611,189		$ 2,099,874	$ -

A. 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%	472,734	5,978	478,712
Administrative Building Loan	4.75%-Variable	432,595	8,732	441,327
Total		$ 970,329	$ 14,710	$ 985,039

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%	$ 9,974,071	$ 9,927,707	$ 19,901,778
FNMA Loan for DeMark	5.66%	3,162,510	3,148,728	6,311,238
FNMA Loan for Lakewood Village	5.66%	4,396,102	4,375,664	8,771,766
Total		$ 17,532,683	$ 17,452,099	$ 34,984,782

Installments for the Rural Development Program Loan approximate $27,000 per year and installments for the Administrative Building Loan are $441,327 this year. The Administrative Building loan has a variable interest rate which adjusts annually at the Prime Rate plus 1.5%. The principal balance of the loan is due in 2018. 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
2018	$ 25,100	$ 3,637	$ 432,595	$ 8,732	$ -	$ -
2019	24,883	1,989			-	-
2020	26,649	352			-	-
2021	28,540	-	-	-	-	-
2022	30,565	-				
2023-2027	188,604	-	-		-	-
2028-2032	148,394	-	-	-	-	-
2033-2037	-	-	-	-	-	-
2038-2042	-	-	-	-	-	-
2043-2047	-	-	-	-	65,000	-
Total	$ 472,734	$ 5,978	$ 432,595	$ 8,732	$ 65,000	$ -

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

	Chateau Rainier Apartments LLC		Demark Apartments LLC		Lakewood Village Apartments LLC	
Year	Principal	Interest	Principal	Interest	Principal	Interest
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	542,733	53,283	172,086	74,066	239,211
2021	177,807	532,971	56,378	168,991	78,369	234,908
2022	188,136	522,642	59,653	165,716	82,922	230,356
2023-2027	1,117,882	2,436,007	354,449	772,393	492,711	1,073,677
2028-2032	1,482,560	2,071,329	470,080	656,763	653,443	912,944
2033-2037	1,966,205	1,587,684	623,430	503,412	866,611	699,776
2038-2042	2,607,625	946,264	826,807	300,036	1,149,319	417,068
2043-2047	1,956,893	175,440	620,481	56,544	862,504	77,325
Total	$ 9,974,071	$ 9,927,707	$ 3,162,510	$ 3,148,728	$ 4,396,102	$ 4,375,664

B. 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 2017:

Aggregate Pension Amounts - All Plans

	PERS 1 UAAL	PERS 2/3	Aggregate Total
Pension liabilities	809,558	762,484	1,572,042
Deferred outflows of resources	45,964	181,495	227,459
Deferred inflows of resources	30,210	272,713	302,923
Pension expense/expenditures	48,488	159,868	208,356

A. 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. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 1 Actual Contribution Rates	**Employer**	**Employee***
January - June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**
July - December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**12.70%**	**6.00%**

* For employees participating in JBM, the contribution rate was 12.26%.

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 2017 were as follows:

PERS Plan 2/3

Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**11.18%**	**6.12%**
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0,18%	
Employee PERS Plan 3		Varies
Total	**12.70%**	**7.38%**

* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July - December 2017.

The Pierce County Housing Authority actual PERS plan contributions were $273,019 to PERS Plan 2/3 for the year ended December 31, 2017.

B. Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. 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* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% 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 changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.

- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

C. 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.

D. 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. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

E. 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, 2017, 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%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

F. Sensitivity of the Net Pension Liability/(Asset)

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 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	Current Discount Rate	1% Increase
	-6.50%	**-7.50%**	**-8.50%**
PERS 1	986,196	809,558	656,551
PERS 2/3	2,054,211	762,484	(295,895)

G. 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.

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

At December 31, 2017, the Authority reported a total pension liability of $1,572,042 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	809,558
PERS 2/3	762,484

At June 30, 2017, the Authority's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/2016	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.017223%	0.017061%	0.000162%
PERS 2/3	0.022060%	0.021945%	0.000115%

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, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

I. Pension Expense

For the year ended December 31, 2017, the Authority_recognized pension expense as follows:

	Pension Expense
PERS 1	48,488
PERS 2/3	159,868
Total	208,356

J. Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

PERS 1	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	-	(30,210)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	45,964	-
TOTAL	45,964	(30,210)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	77,258	(25,077)
Net difference between projected and actual investment earnings on pension plan investments	-	(272,713)
Changes of assumptions	8,099	-
Changes in proportion and differences between contributions and proportionate share of contributions	28,417	44,213
Contributions subsequent to the measurement date	67,721	-
TOTAL	181,495	(253,577)

Total All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	77,258	(25,077)
Net difference between projected and actual investment earnings on pension plan investments	-	(302,923)
Changes of assumptions	8,099	-
Changes in proportion and differences between contributions and proportionate share of contributions	28,417	44,213
Contributions subsequent to the measurement date	113,685	-
TOTAL	227,459	(283,787)

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, 2018. 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
2018	(20,420)
2019	6,447
2020	(1,497)
2021	(14,740)
2022	-
Thereafter	-
Total	(30,210)

Year ended December 31:	PERS 2/3
2018	(34,835)
2019	47,559
2020	(15,561)
2021	(82,225)
2022	6,396
Thereafter	8,315
Total	(70,351)

Year ended December 31:	Total All Plans
2018	(55,255)
2019	54,006
2020	(17,058)
2021	(96,965)
2022	6,396
Thereafter	8,315
Total	(100,561)

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, 2017. Total contributions to the plan for the year ended December 31, 2017 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	$	96,146
Unfunded Actuarial Accrued Liability (UAAL) Amortization		63,255
Total ARC		159,401
Net OPEB Obligation (NOO) Interest		15,142
NOO Amortization		(21,892)
Annual OPEB Cost		152,651
Contributions		(3,368)
NOO as of 12/31/2016		378,549
NOO as of 12/31/2017	$	527,832

The Net OPEB Obligation of $527,832 is included as a noncurrent liability on the Statement of Net Position.

F. Funding Status

As of January 1, 2017, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits for the Authority is $906,864 and the actuarial value of assets was $0 resulting in an Unfunded Accrued Actuarial Liability (UAAL) of $906,864.

Accrued Actuarial Liability (AAL) for Active Employees:		
Implicit Subsidy	$	28,302
Explicit Subsidy		878,562
Total Active Employees	$	906,864
Annual Covered Payroll		2,285,200
UAAL as a % of Annual Covered Payroll		39.68%

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, 2016 and 2017 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 January 1, 2017 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 2017. 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 2017 Other Post-Employment Benefits Actuarial Valuation Report can be downloaded from the Washington Office of the State Actuary website located at
http://leg.wa.gov/osa/additionalservices/Documents/Final.2017.PEBB.OPEB.AVR.pdf

Significant actuarial methods and assumptions are as follows:

Actuarial Valuation Date	January 1,2017
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	3.75%
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 11/1/2017, 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 2017.

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, 2017.

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 above 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, 2017, 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	$ 60,067	$ 34,196	$ 254,670
Capital Assets	5,739,228	1,932,398	5,340,332
Other Non-current Assets	246,803	93,585	124,342
Total Assets	6,046,098	2,060,178	5,719,344
Current Liabilities	260,609	99,461	132,078
Long-term Liabilities	9,824,172	3,114,918	4,330,071
Total Liabilities	10,084,780	3,214,379	4,462,150
NET POSITION			
Invested (deficit) in Capital Assets	(3,988,123)	(1,136,560)	1,068,528
Restricted	10,405	8,967	5,766
Unrestricted	(60,964)	(26,608)	182,900
Total Net Position	$ (4,038,682)	$ (1,154,201)	$ 1,257,194

Condensed Statement of Revenues, Expenses and Changes in Net Position	**Chateau Rainier Apartments LLC**	**DeMark Apartments LLC**	**Lakewood Village Apartments LLC**
Operating Revenues	$ 2,389,092	$ 872,306	$ 1,386,958
Operating Expenses	2,852,370	990,842	1,363,189
Net Operating Income	(463,277)	(118,536)	23,768
Total Non-operating Income (Expense)	(527,371)	(183,862)	(266,306)
Transfers From (To) Primary Government	-	-	-
Change in Net Position	(990,648)	(302,398)	(242,538)
Beginning Net Position, as Perviously Reporte	(3,048,034)	(851,803)	1,499,731
Prior period adjustments	-	-	-
Beginning Net Position, as Restated	-	-	-
Ennding Net Position	$ (4,038,682)	$ (1,154,201)	$ 1,257,193

Condensed Statement of Cash Flows	**Chateau Rainier Apartments LLC**	**DeMark Apartments LLC**	**Lakewood Village Apartments LLC**
Cash Flows from Operations	(1,045,916)	(85,090)	(133,610)
Cash at Beginning of Year	1,349,246	212,395	511,878
Cash at Ending of Year	303,330	127,305	378,268

NOTE 12: SUBSEQUENT EVENTS

PCHA has evaluated subsequent events through September 30, 2018, 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, 2017

Last 10 Fiscal Years*

Pierce County Housing Authority
Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 1 UAAL and PERS Plan 2/3
As of June 30, 2017
Last 10 Fiscal Years*

	PERS Plan 1 UAAL			**PERS Plan 2/3**		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Employer's proportion of the net pension liability (asset)	0.017061%	0.017223%	0.016029%	0.021945%	0.022060%	0.020716%
Employer's proportionate share of the net pension liability	809,558	924,956	838,466	762,484	1,108,992	740,194
Covered payroll*	2,285,200	2,243,004	2,049,548	2,285,200	2,243,004	2,049,548
Employer's proportionate share of the net pension liability as a percentage of covered payroll	35.43%	41.24%	40.91%	33.37%	49.44%	36.11%
Plan fiduciary net position as a percentage of the total pension liability	61.24%	57.03%	59.10%	90.97%	85.82%	89.20%

* Information Available for 2015, 2016 and 2017 only.

Note to Schedule: The Authority's covered payroll is reported for the years ended December 31, 2017 and 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, 2017

Last 10 Fiscal Years*

		PERS Plan 1 UAAL			PERS Plan 2/3		
		2017	2016	2015	2017	2016	2015
Statutorily or contractually required contributions	$	95,994	111,537	87,763	133,064	145,676	112,210
Contributions in relation to the statutorily or contractually required contributions*	$	(95,994)	(111,537)	(87,763)	(133,064)	(145,676)	(122,210)
Contribution deficiency (excess)	$	-	-	-	-	-	-
Covered payroll*	$	2,285,200	2,243,004	2,049,548	2,285,200	2,243,004	2,049,548
Contributions as a percentage of covered payroll	%	4.20%	4.97%	4.28%	5.82%	6.49%	5.47%

* Information Available for 2015, 2016 and 2017 only.

Note to Schedule: Contributions above do not include the administrative fee of 0.18%.
Administrative fees were $4,113, $4,209 and $3,673 for 2017, 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	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%
1/1/2016	-	1,093,799	1,093,799	0.00%	2,285,200	47.86%
1/1/2017	-	906,864	906,864	0.00%	2,285,200	39.68%

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 method permitted under GASB Statement No. 45 for the year ended December 31, 2017.

Pierce County Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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, AGRICULTURE, DEPARTMENT OF (via Rural Development Loan)	Rural Rental Housing Loans	10.415	2017 RD Loan Subsidy	27,658	-	27,658	-	1,2
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF (via Rural Development Rental Assistance)	Rural Rental Assistance Payments	10.427	2017 RD RA	91,387	-	91,387	-	1,2
CDBG - Entitlement Grants Cluster								
Office of Community Planning and Development, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via City of Lakewood)	Community Development Block Grants/Entitlement Grants	14.218	VS	1,455	-	1,455	-	1,2
			Total CDBG - Entitlement Grants Cluster:	**1,455**	**-**	**1,455**	-	
Office of Public and Indian Housing, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Office of Public and Indian Housing)	Public and Indian Housing	14.850	2017 OFND	300,135	-	300,135	-	1,2,3
Section 8 Project-Based Cluster								
Office of Public and Indian Housing, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Office of Public and Indian Housing)	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	2017 MOD	91,966	-	91,966	-	1,2,3
			Total Section 8 Project-Based Cluster:	**91,966**	**-**	**91,966**	-	
Housing Voucher Cluster								

The accompanying notes are an integral part of this schedule.

Pierce County Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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
Office of Public and Indian Housing, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Office of Public and Indian Housing)	Section 8 Housing Choice Vouchers	14.871	2017 HCV	25,387,842	-	25,387,842	-	1,2,3
		Total Housing Voucher Cluster:		**25,387,842**	**-**	**25,387,842**	**-**	
Office of Public and Indian Housing, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Office of Public and Indian Housing)	Public Housing Capital Fund	14.872	2017 CFP	102,137	-	102,137	-	1,2
		Total Federal Awards Expended:		**26,002,580**	**-**	**26,002,580**	**-**	

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, 2017

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: Unaudited/Single Audit | Fiscal Year End: 12/31/2017

	Project Total	14.871 Housing Choice Vouchers	8 Other Federal Program 1	14.218 Community Development Block Grants/Entitlement Grants	1 Business Activities	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
111 Cash - Unrestricted	399,992	13,692	710,544		4,558,269	136,272		142,061	5,960,830		5,960,830
112 Cash - Restricted - Modernization and Development								-			
113 Cash - Other Restricted	31,820	419,548			489,709	54,652		-	995,729		995,729
114 Cash - Tenant Security Deposits	40,850				132,505	6,100		-	179,455		179,455
115 Cash - Restricted for Payment of Current Liabilities								-			
100 Total Cash	472,662	433,240	710,544	-	5,180,483	197,024	-	142,061	7,136,014		7,136,014
121 Accounts Receivable - PHA Projects								-			
122 Accounts Receivable - HUD Other Projects	18,583	9,831						3,257	31,671		31,671
124 Accounts Receivable - Other Government						6,728		-	6,728		6,728
125 Accounts Receivable - Miscellaneous		17,461			8,364			-	25,825		25,825
126 Accounts Receivable - Tenants	8,101				20,675	10,894		-	39,670		39,670
126.1 Allowance for Doubtful Accounts -Tenants	(1,523)				(13,480)	(1,912)		-	(16,915)		(16,915)
126.2 Allowance for Doubtful Accounts - Other	-	-			-	-		-	-		-
127 Notes, Loans, & Mortgages Receivable - Current	2,001		11,592					-	13,593		13,593
128 Fraud Recovery								-			
128.1 Allowance for Doubtful Accounts - Fraud								-			
129 Accrued Interest Receivable					4,027			-	4,027		4,027
120 Total Receivables, Net of Allowances for Doubtful Accounts	27,162	27,292	11,592	-	19,586	15,710	-	3,257	104,599		104,599
131 Investments - Unrestricted					999,829			-	999,829		999,829
132 Investments - Restricted								-			
135 Investments - Restricted for Payment of Current Liability								-			
142 Prepaid Expenses and Other Assets					337,723			-	337,723		337,723
143 Inventories					15,434			-	15,434		15,434
143.1 Allowance for Obsolete Inventories					-			-	-		-
144 Inter Program Due From								-			
145 Assets Held for Sale								-			
150 Total Current Assets	499,824	460,532	722,136	-	6,553,055	212,734	-	145,318	8,593,599		8,593,599
161 Land	2,005,161				3,199,856	90,100		-	5,295,117		5,295,117
162 Buildings	9,880,665				25,370,051	616,564		-	35,867,280		35,867,280
163 Furniture, Equipment & Machinery - Dwellings	403,488				2,305,372	46,322		-	2,755,182		2,755,182
164 Furniture, Equipment & Machinery - Administration	104,545	125,156			658,194			-	887,895		887,895
165 Leasehold Improvements								-			
166 Accumulated Depreciation	(6,080,311)	(103,222)			(13,909,548)	(244,655)		-	(20,337,736)		(20,337,736)
167 Construction in Progress								-			
168 Infrastructure								-			
160 Total Capital Assets, Net of Accumulated Depreciation	6,313,548	21,934	-	-	17,623,925	508,331	-	-	24,467,738		24,467,738
171 Notes, Loans and Mortgages Receivable - Non-Current			1,000,202		50,000			-	1,050,202		1,050,202
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due			-					-	-		-
173 Grants Receivable - Non Current								-			
174 Other Assets								-			
176 Investments in Joint Ventures								-			
180 Total Non-Current Assets	6,313,548	21,934	1,000,202	-	17,673,925	508,331	-	-	25,517,940		25,517,940
200 Deferred Outflow of Resources	18,157	85,383			123,919			-	227,459		227,459
290 Total Assets and Deferred Outflow of Resources	6,831,529	567,849	1,722,338	-	24,350,899	721,065	-	145,318	34,338,998		34,338,998

311 Bank Overdraft								-			
312 Accounts Payable <= 90 Days					370,849			-	370,849		370,849
313 Accounts Payable >90 Days Past Due								-			
321 Accrued Wage/Payroll Taxes Payable					91,707			-	91,707		91,707
322 Accrued Compensated Absences - Current Portion	12,659	40,715			64,208			-	117,582		117,582
324 Accrued Contingency Liability								-			
325 Accrued Interest Payable					82,696	374		-	83,070		83,070
331 Accounts Payable - HUD PHA Programs								-			
332 Account Payable - PHA Projects								-			
333 Accounts Payable - Other Government								-			
341 Tenant Security Deposits	40,850				132,505	6,100		-	179,455		179,455
342 Unearned Revenue	5,030				40,861			-	45,891		45,891
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					696,444	25,100		-	721,544		721,544
344 Current Portion of Long-term Debt - Operating Borrowings								-			
345 Other Current Liabilities	4,450	146,672			18,620			-	169,742		169,742
346 Accrued Liabilities - Other	47,128				7,221	8,173		-	62,522		62,522
347 Inter Program - Due To								-			
348 Loan Liability - Current								-			
310 Total Current Liabilities	110,117	187,387	-	-	1,505,111	39,747	-	-	1,842,362		1,842,362
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					17,333,835	447,634		-	17,781,469		17,781,469
352 Long-term Debt, Net of Current - Operating Borrowings								-			
353 Non-current Liabilities - Other	30,309	91,689			1,214			-	123,212		123,212
354 Accrued Compensated Absences - Non Current	70,290	5,998			9,459			-	85,747		85,747
355 Loan Liability - Non Current								-			
356 FASB 5 Liabilities								-			
357 Accrued Pension and OPEB Liabilities		1,169,377			862,072			-	2,031,449		2,031,449
350 Total Non-Current Liabilities	100,599	1,267,064	-	-	18,206,580	447,634	-	-	20,021,877		20,021,877
300 Total Liabilities	210,716	1,454,451	-	-	19,711,691	487,381	-	-	21,864,239		21,864,239
400 Deferred Inflow of Resources	24,723	17,563			260,636			-	302,922		302,922
508.4 Net Investment in Capital Assets	6,313,548	21,934			58,217	35,597	-	-	6,429,296		6,429,296
511.4 Restricted Net Position	-	251,402			489,709	54,652	-	-	795,763		331,192
512.4 Unrestricted Net Position	282,542	(1,177,501)	1,722,338	-	3,830,646	143,435	-	145,318	4,946,778		5,411,349
513 Total Equity - Net Assets / Position	6,596,090	(904,165)	1,722,338	-	4,378,572	233,684	-	145,318	12,171,837		12,171,837
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	6,831,529	567,849	1,722,338	-	24,350,899	721,065	-	145,318	34,338,998		34,338,998

HA Of Pierce County (WA054)

Tacoma, WA

Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/Single Audit Fiscal Year End: 12/31/2017

	Project Total	14.871 Housing Choice Vouchers	8 Other Federal Program 1	14.218 Community Development Block Grants/Entitlement Grants	1 Business Activities	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	479,671				5,653,923	137,880		-	6,271,474		6,271,474
70400 Tenant Revenue - Other	33,047				182,048	10,656		-	225,751		225,751
70500 Total Tenant Revenue	512,718	-	-	-	5,835,971	148,536	-	-	6,497,225		6,497,225
70600 HUD PHA Operating Grants	383,689	25,387,842						91,966	25,863,497		25,863,497
70610 Capital Grants	18,583							-	18,583		18,583
70710 Management Fee								-			
70720 Asset Management Fee								-			
70730 Book Keeping Fee								-			
70740 Front Line Service Fee								-			
70750 Other Fees								-			
70700 Total Fee Revenue								-			
70800 Other Government Grants				1,455		27,658	91,387	-	120,500		120,500
71100 Investment Income - Unrestricted	2,555	12	2,554		30,792	1		2	35,916		35,916
71200 Mortgage Interest Income								-			
71300 Proceeds from Disposition of Assets Held for Sale								-			
71310 Cost of Sale of Assets								-			
71400 Fraud Recovery		50,984						-	50,984		50,984
71500 Other Revenue		228,393			121,918			-	350,311		350,311
71600 Gain or Loss on Sale of Capital Assets	(80)				(34,158)	(170)		-	(34,408)		(34,408)
72000 Investment Income - Restricted		-				1		-	1		1
70000 Total Revenue	917,465	25,667,231	2,554	1,455	5,954,523	176,026	91,387	91,968	32,902,609		32,902,609
91100 Administrative Salaries	127,663	933,695	2,108		477,318			3,248	1,544,032		1,544,032
91200 Auditing Fees	9,615	58,767	1,381		26,320			388	96,471		96,471
91300 Management Fee						12,992		-	12,992		12,992
91310 Book-keeping Fee								-			
91400 Advertising and Marketing								-			
91500 Employee Benefit contributions - Administrative	55,663	414,399	632		148,145			1,273	620,112		620,112
91600 Office Expenses		11,392			58,311	3		-	69,706		69,706
91700 Legal Expense			100		32,718			-	32,818		32,818
91800 Travel		12,631			2,485			-	15,116		15,116
91810 Allocated Overhead	89,192	339,831	1,675		180,756			2,116	613,570		613,570
91900 Other								-			
91000 Total Operating - Administrative	282,133	1,770,715	5,896	-	926,053	12,995	-	7,025	3,004,817		3,004,817
92000 Asset Management Fee								-			
92100 Tenant Services - Salaries								-			
92200 Relocation Costs								-			
92300 Employee Benefit Contributions - Tenant Services								-			
92400 Tenant Services - Other					3,910			-	3,910		3,910
92500 Total Tenant Services	-	-	-	-	3,910	-	-	-	3,910		3,910
93100 Water	3,783				204,596	3,352		-	211,731		211,731
93200 Electricity	3,960				105,923	2,429		-	112,312		112,312
93300 Gas								-			
93400 Fuel								-			
93500 Labor								-			
93600 Sewer	696				323,212	10,828		-	334,736		334,736
93700 Employee Benefit Contributions - Utilities								-			

93800 Other Utilities Expense					8,982	16,083		-	25,065		25,065
93000 Total Utilities	8,439	-	-	-	642,713	32,692	-	-	683,844		683,844
94100 Ordinary Maintenance and Operations - Labor	193,550				772,648	10,545		-	976,743		976,743
94200 Ordinary Maintenance and Operations - Materials and Other	84,720				361,325	2,226		-	448,271		448,271
94300 Ordinary Maintenance and Operations Contracts	75,827			1,455	2,294,625	10,145		-	2,382,052		2,382,052
94500 Employee Benefit Contributions - Ordinary Maintenance	95,007				336,641	4,318		-	435,966		435,966
94000 Total Maintenance	449,104	-	-	1,455	3,765,239	27,234	-	-	4,243,032		4,243,032
95100 Protective Services - Labor								-			
95200 Protective Services - Other Contract Costs					37,474			-	37,474		37,474
95300 Protective Services - Other						134		-	134		134
95500 Employee Benefit Contributions - Protective Services								-			
95000 Total Protective Services	-	-	-	-	37,474	134	-	-	37,608		37,608
96110 Property Insurance	31,183	45,847	364		101,533	102		124	179,153		179,153
96120 Liability Insurance	11,196	41,945	333		92,892	94		113	146,573		146,573
96130 Workmen's Compensation	8,379	2,712	5		33,502	355		2	44,955		44,955
96140 All Other Insurance	5,784	9,755	77		21,603	22		26	37,267		37,267
96100 Total insurance Premiums	56,542	100,259	779	-	249,530	573	-	265	407,948		407,948
96200 Other General Expenses	55,805	118,583	376		138,340	470		196	313,770		313,770
96210 Compensated Absences	(2,835)	17,691	136					49	15,041		15,041
96300 Payments in Lieu of Taxes	47,128							-	47,128		47,128
96400 Bad debt - Tenant Rents	2,353				57,104	1,182		-	60,639		60,639
96500 Bad debt - Mortgages								-			
96600 Bad debt - Other	4,703				-			-	4,703		4,703
96800 Severance Expense								-			
96000 Total Other General Expenses	107,154	136,274	512	-	195,444	1,652	-	245	441,281		441,281
96710 Interest of Mortgage (or Bonds) Payable					998,885	33,064		-	1,031,949		1,031,949
96720 Interest on Notes Payable (Short and Long Term)								-			
96730 Amortization of Bond Issue Costs								-			
96700 Total Interest Expense and Amortization Cost	-	-	-	-	998,885	33,064	-	-	1,031,949		1,031,949
96900 Total Operating Expenses	903,372	2,007,248	7,187	1,455	6,819,248	108,344	-	7,535	9,854,389		9,854,389
97000 Excess of Operating Revenue over Operating Expenses	14,093	23,659,983	(4,633)	-	(864,725)	67,682	91,387	84,433	23,048,220		23,048,220
97100 Extraordinary Maintenance								-			
97200 Casualty Losses - Non-capitalized								-			
97300 Housing Assistance Payments	17,165	23,257,526					91,387	76,082	23,442,160		23,442,160
97350 HAP Portability-In		172,140						-	172,140		172,140
97400 Depreciation Expense	339,714	32,657	190		1,192,906	20,788		123	1,586,378		1,586,378
97500 Fraud Losses								-			
97600 Capital Outlays - Governmental Funds								-			
97700 Debt Principal Payment - Governmental Funds								-			
97800 Dwelling Units Rent Expense								-			
90000 Total Expenses	1,260,251	25,469,571	7,377	1,455	8,012,154	129,132	91,387	83,740	35,055,067		35,055,067
10010 Operating Transfer In	83,554							-	83,554		83,554
10020 Operating transfer Out	(83,554)							-	(83,554)		(83,554)
10030 Operating Transfers from/to Primary Government								-			
10040 Operating Transfers from/to Component Unit								-			
10050 Proceeds from Notes, Loans and Bonds								-			
10060 Proceeds from Property Sales								-			
10070 Extraordinary Items, Net Gain/Loss								-			
10080 Special Items (Net Gain/Loss)								-			
10091 Inter Project Excess Cash Transfer In								-			
10092 Inter Project Excess Cash Transfer Out								-			

10093 Transfers between Program and Project - In								-			
10094 Transfers between Project and Program - Out								-			
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-	-	-		-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(342,786)	197,660	(4,823)	-	(2,057,631)	46,894	-	8,228	(2,152,458)		(2,152,458)
11020 Required Annual Debt Principal Payments	-	-	-	-	327,598	19,830	-	-	347,428		347,428
11030 Beginning Equity	6,938,876	(1,101,825)	1,727,161	-	6,436,203	186,790	-	137,090	14,324,295		14,324,295
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors								-			
11050 Changes in Compensated Absence Balance								-			
11060 Changes in Contingent Liability Balance								-			
11070 Changes in Unrecognized Pension Transition Liability								-			
11080 Changes in Special Term/Severance Benefits Liability								-			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								-			
11100 Changes in Allowance for Doubtful Accounts - Other								-			
11170 Administrative Fee Equity		(1,155,567)						-	(1,155,567)		(1,155,567)
11180 Housing Assistance Payments Equity		251,402						-	251,402		251,402
11190 Unit Months Available	1477	33554			7944	240	240	192	43647		43647
11210 Number of Unit Months Leased	1464	30795			7822	223	223	189	40716		40716
11270 Excess Cash	282,606							-	282,606		282,606
11610 Land Purchases	-							-	-		-
11620 Building Purchases	18,583							-	18,583		18,583
11630 Furniture & Equipment - Dwelling Purchases	-							-	-		-
11640 Furniture & Equipment - Administrative Purchases	-							-	-		-
11650 Leasehold Improvements Purchases	-							-	-		-
11660 Infrastructure Purchases	-							-	-		-
13510 CFFP Debt Service Payments	-							-	-		-
13901 Replacement Housing Factor Funds	-							-	-		-

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.

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