



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

December 12, 2022

Board of Commissioners
City of Walla Walla Housing Authority
Walla Walla, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the City of Walla Walla Housing Authority for the fiscal year ended December 31, 2021. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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HOUSING AUTHORITY OF THE CITY OF WALLA WALLA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2021

**WITH
REPORT OF INDEPENDENT AUDITORS**

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
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FOR THE YEAR ENDED DECEMBER 31, 2021

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REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners
Housing Authority of the City of Walla Walla:

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying financial statements of the business-type activities (primary government) and the aggregate discretely presented component units of the Housing Authority of the City of Walla Walla (the "Authority") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities (primary government) and the aggregate discretely presented component units of the Authority as of as of December 31, 2021, and the changes in their net position and where applicable, their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Emerald Family Properties LLLP, WWHA - Lariat Housing LLLP, WWHA - Galbraith Gardens LLC, Walla Walla Family Homes LLC, Walla Walla Family Homes Two LLC, and WWHA - Senior Housing Properties LLLP, (the "Discretely Presented Component Units") which represent 83% of the assets, 88% of the net position and 80% of the revenues of the Discretely Presented Component Units as of December 31, 2021 and for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Discretely Presented Component Units, is based solely on the reports of the other auditors.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 pension information 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements. The accompanying financial data schedule is also not a required part of the financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards and financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards and financial data schedule are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022 on our consideration of the 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 Authority's internal control over financial reporting and compliance.

Novogradac & Company LLP

September 28, 2022
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Housing Authority and Financial Statements

The Housing Authority of the City of Walla Walla (the "Authority") was established in 1973 by the City of Walla Walla, Washington. The Authority owns and operates multiple Affordable Housing and Market properties, a Homeless Veterans Program ("CORD"), a Tenant Based Rental Assistance ("TBRA") program and administers Section 8 Housing Choice Vouchers ("HCV"), Emergency Housing Vouchers ("EHV") and Veterans Affairs Supportive Housing ("HUD-VASH") programs, which altogether, are identified as Primary Government. Blended Component Units include also the Washington School Homes Planned Unit Development Property Owners Association and the Walla Walla Housing Foundation.

The Discretely Presented Component Units consist of three partnerships and five limited liability corporations for which the Authority is the managing partner/member. The properties are eligible for low-income housing tax credits.

The mission of the Authority is to create housing choices and energize neighborhoods while focusing on providing opportunities for low to moderate income families to prosper with dignity and respect.

The Authority is proud to present its basic financial statements for the fiscal year ended December 31, 2021, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). GAAP requires the inclusion of three basic financial statements: The Statement of Net Position (balance sheet); the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. In addition, GAAP requires the inclusion of a Management's Discussion and Analysis ("MD&A") section as required supplementary information.

The basic financial statements provide both long-term and short-term information about the Authority's overall financial condition. The basic financial statements also include notes that explain financial data reported in the statements and provide more detailed information related to those balances. The statements are followed by a section of other supplementary information that further explains and supports the information in the basic financial statements, including information required to be reported by the Authority's main oversight agency, the U.S. Department of Housing and Urban Development ("HUD").

Financial Analysis

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the Authority and its Component Units at the end of the fiscal year. The purpose of the Statement of Net Position is to give the financial statement readers a snapshot of the fiscal

Financial Analysis (continued)

condition of the Authority as of a certain point in time. It presents end-of-year data for assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

Total assets of the Primary Government at December 31, 2021 are \$28,314,890. Current assets are comprised of several categories. Cash and cash equivalents include the cash and investments maturing within 90 days. Accounts receivable include tenant receivables, receivables from other governments and receivables from component units. Prepaid expenses and inventory are also assets of the Authority. Non-current assets include capitalized costs, mortgages receivable, certain investments held for operating and replacement reserves and capital assets. Capital assets include land, buildings, construction in progress, equipment and accumulated depreciation of those assets. Additionally deferred outflows of resources related to GASB 68 total \$125,073.

Total liabilities of the Primary Government are \$6,850,195 at December 31, 2021. Liabilities are also presented in current and non-current portions. Current liabilities include accounts payable, other accrued liabilities, unearned revenue, retainage payable and current portions of long-term debt. A liability is considered to be current if it is due within one year. Long-term liabilities consist of notes and mortgages payable over a period of years. Additionally, deferred inflows of resources in the amount of \$1,313,349 are related to GASB 68.

Net position represents the Authority's equity, a portion of which is restricted for certain uses. Net position is divided into three major categories. The first category, invested in capital assets net of related debt, shows the equity in land, structures, construction in progress and equipment, net of related capital debt outstanding. The next net category is restricted net position. This component of net position has external limitations on the way in which it may be used. The last category is unrestricted net position. This component of net position is available to use for any lawful and prudent purpose of the Authority.

Statement of Revenues, Expenses and Changes in Net Position

The purpose of the statement of revenues, expenses and changes in net position is to present the revenues earned by the Authority, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains, or losses received or spent by the Authority. Generally, the operating revenues are amounts received for providing housing to tenants. Non-operating revenues are funds received for which goods or services are not provided, except that non-operating revenues also include operating grants and subsidies. Capital contributions represent capital grants received to improve or develop capital assets of the Authority.

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2021.

Financial Analysis (continued)

<u>STATEMENT OF NET POSITION</u>	<u>2021</u>	<u>2020</u>	<u>Variance</u>	<u>% Change</u>
<u>ASSETS</u>				
Cash & Cash Equivalents	\$ 5,233,564	\$ 3,690,105	\$ 1,543,459	41.83%
Accounts Receivable	347,743	370,787	(23,044)	-6.21%
Investments	260,556	260,171	385	0.15%
Other Current Assets	180,076	138,927	41,149	29.62%
TOTAL CURRENT ASSETS	6,021,939	4,459,990	1,561,949	35.02%
Capital Assets	8,264,462	9,126,444	(861,982)	-9.44%
Other Non-Current Assets	14,028,489	11,897,998	2,130,491	17.91%
TOTAL NON-CURRENT ASSETS	22,292,951	21,024,442	1,268,509	6.03%
Deferred Outflows Related to Pensions	125,073	160,559	(35,486)	-22.10%
TOTAL ASSETS & DEFERRED OUTFLOWS	\$ 28,439,963	\$ 25,644,991	\$ 2,794,972	10.90%
<u>LIABILITIES & NET POSITION</u>				
Accounts Payable	\$ 47,846	\$ 127,110	\$ (79,264)	-62.36%
Other Current Liabilities	329,530	1,165,530	(836,000)	-71.73%
Current Portion - Long Term Debt	211,340	230,152	(18,812)	-8.17%
TOTAL CURRENT LIABILITIES	588,716	1,522,792	(934,076)	-61.34%
Long Term Debt - Commercial	6,261,479	7,372,855	(1,111,376)	-15.07%
Net Pension Liability	-	526,200	(526,200)	-100.00%
TOTAL NON-CURRENT LIABILITIES	6,261,479	7,899,055	(1,637,576)	-20.73%
Deferred Inflows - Pensions/HUD	1,313,349	80,290	1,233,059	1535.76%
TOTAL LIABILITIES & DEFERRED INFLOWS	8,163,544	9,502,137	(1,338,593)	-14.09%
<u>NET POSITION</u>				
Unrestricted	17,637,759	14,065,957	3,571,802	25.39%
Restricted	847,017	553,460	293,557	53.04%
Invested in Capital	1,791,643	1,523,437	268,206	17.61%
TOTAL NET POSITION	20,276,419	16,142,854	4,133,565	25.61%
TOTAL NET POSITION	20,276,419	16,142,854	4,133,565	25.61%
TOTAL LIABILITIES & NET POSITION	\$ 28,439,963	\$ 25,644,991	\$ 2,794,972	10.90%

Financial Analysis (continued)

STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION

	2021	2020	Variance	% Change
<u>REVENUES</u>				
Tenant Income	\$ 1,306,383	\$ 984,357	\$ 322,026	32.71%
Other Income	2,586,556	1,730,761	855,795	49.45%
TOTAL OPERATING REVENUE	3,892,939	2,715,118	1,177,821	43.38%
Operating Subsidies & Other Grants	8,427,274	8,168,103	259,171	3.17%
Other Non-Operating Revenue	2,930,973	284,210	2,646,763	931.27%
TOTAL NON-OPERATING REVENUE	11,358,247	8,452,313	2,905,934	34.38%
GROSS REVENUE	15,251,186	11,167,431	4,083,755	36.57%
<u>EXPENSES</u>				
Payroll & Related Expenses	2,100,971	1,876,714	224,257	11.95%
Other Rental Operations Expenses	1,975,003	1,487,443	487,560	32.78%
TOTAL OPERATING EXPENSES	4,075,974	3,364,157	711,817	21.16%
Payments from Operating Subsidies	6,818,528	6,860,881	(42,353)	-0.62%
Other Non-Operating Expenses	189,795	181,773	8,022	4.41%
TOTAL NON-OPERATING EXPENSES	7,008,323	7,042,654	(34,331)	-0.49%
TOTAL EXPENSES	11,084,297	10,406,811	677,486	6.51%
CHANGE IN NET POSITION	4,166,889	760,620	3,406,269	447.83%
Equity Transfer to Discretely Presented Component Units	(33,324)	-	(33,324)	-100.00%
Net Position at January 1	16,142,854	15,382,234	760,620	4.94%
NET POSITION AT DECEMBER 31	\$ 20,276,419	\$ 16,142,854	\$ 4,133,565	25.61%

Overall Financial Position and Results of Operations

The Authority's financial position is sound; the fundamental activities of housing and voucher administration performed routinely although with necessary adjustments to average voucher expense and case worker staffing.

Financial Highlights Primary Government

- 1) The HCV and VASH programs expended \$390,223 less than was received for current year vouchers. This amount includes \$442,090 in additional HAP as part of the funding from the CARES Act in 2020, which was earned in 2021. HCV and VASH were budgeted for a gain of \$156,426 in 2021 with a pro-ratio of 79%. A COLA increase of 1.97% was budgeted for 2021 based on the September 2021 CPI. General Administrative expenses were over budget by \$284,075 and Maintenance expenses were under budget by \$112,995. Administrative support pro-rations for the HCV and VASH programs came in higher than budgeted at roughly 80% generating an increase to Unrestricted Net Position.
- 2) In August 2021, the Authority sold Belmont Apartments, Marjorie Terrace and Rosehaven Cottages to WWHA – Housing Preservation LLLP. The transaction resulted in a gain on sale in the amount of \$1,475,644. Upon the sale, WWHA – Housing Preservation LLLP became a discretely presented component unit of the Authority.
- 3) In October 2021, the Authority sold Evergreen to WWHA – Evergreen Commons LLLP. The transaction resulted in a gain on sale in the amount of \$311,867. Upon the sale, Evergreen Commons LLLP became a discretely presented component unit of the Authority.

Capital Asset and Debt Administration

Emerald Family Properties completed an occupied-rehab of the property in November 2017. Emerald Family Properties entered into 4 loan agreements with the Walla Walla Housing Authority that total \$9,087,541 as of December 31, 2021. Payment of these loans are contingent upon cash flow and have been secured by deeds of trust on the property.

WWHA-Senior Housing Properties LLLP completed an unoccupied-rehab of the Linden property in December 2017. Senior Housing Properties LLLP entered into a loan agreement with the Walla Walla Housing Authority that totals \$1,396,400 as of December 31, 2021. Payment of this loan is contingent upon cash flow and has been secured by a deed of trust on the property.

Capital Asset and Debt Administration (continued)

The Authority completed a renovation of its office building in 2018. A tax-exempt bond was issued by Banner Bank for a total of \$1,400,000 to pay for architectural and general construction costs. A payment of \$500,000 was made prior to the end of 2018 to reduce the outstanding bond to \$900,000. A second balloon payment of \$300,000 was made in December 2021. The outstanding balance on the bond is \$495,365 as of December 31, 2021.

Economic Factors Affecting the Authority's Future

Availability of finance capital is essential for the Authority to meet its commitment to the growth of local housing opportunities. Federal tax credits for low-income housing are an especially important tool for attracting capital to low-income housing. The Washington State Housing Finance Commission ("WSHFC") establishes the priorities for the award of tax credits within the state.

The Authority is also challenged in its core activity of administering HUD-funded vouchers. HUD provides both Housing Assistance Payments ("HAP") and Administrative Fees. Appropriations for administrative funds were increased from 80.44% as of June 2020 to 84.87% as of June 2021.

Request for information

This financial report is designed to provide a general overview of the Authority and its Component Units for all those interested. Questions concerning any of the information presented in this report or requests for additional information should be addressed to Julie Hanson, Finance Director, at 501 Cayuse Street, Walla Walla, WA 99362.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2021

ASSETS

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current assets:			
Cash and cash equivalents	\$ 5,213,470	\$ 1,137,960	\$ 6,351,430
Tenant security deposits	20,094	119,811	139,905
Investments	260,556	-	260,556
Accounts receivable, net	347,743	75,935	423,678
Accrued interest receivable	3,625	-	3,625
Prepaid expenses	119,688	216,229	335,917
Inventories, net	<u>56,763</u>	<u>-</u>	<u>56,763</u>
Total current assets	<u>6,021,939</u>	<u>1,549,935</u>	<u>7,571,874</u>
Non-current assets:			
Restricted cash	636,371	2,567,343	3,203,714
Restricted investments	28,160	-	28,160
Notes receivable, non-current	12,020,934	-	12,020,934
Other assets	1,343,024	258,506	1,601,530
Capital assets, net	<u>8,264,462</u>	<u>55,808,110</u>	<u>64,072,572</u>
Total non-current assets	<u>22,292,951</u>	<u>58,633,959</u>	<u>80,926,910</u>
Total assets	<u>28,314,890</u>	<u>60,183,894</u>	<u>88,498,784</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources	<u>125,073</u>	<u>-</u>	<u>125,073</u>
Total assets and deferred outflows of resources	<u>\$ 28,439,963</u>	<u>\$ 60,183,894</u>	<u>\$ 88,623,857</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
STATEMENT OF NET POSITION (continued)
AS OF DECEMBER 31, 2021

LIABILITIES

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current liabilities:			
Accounts payable	\$ 47,846	\$ 474,259	\$ 522,105
Accrued expenses	21,923	-	21,923
Tenant security deposits	20,094	121,400	141,494
Unearned revenue	48,086	68,412	116,498
Accrued compensated absences, current	144,135	-	144,135
Loans payable, current	211,340	161,809	373,149
Accrued interest payable	56,548	368,996	425,544
Other current liabilities	<u>38,744</u>	<u>254,661</u>	<u>293,405</u>
Total current liabilities	<u>588,716</u>	<u>1,449,537</u>	<u>2,038,253</u>
Non-current liabilities:			
Loans payable, non-current	6,261,479	39,554,237	45,815,716
Other non-current liabilities	<u>-</u>	<u>95,400</u>	<u>95,400</u>
Total non-current liabilities	<u>6,261,479</u>	<u>39,649,637</u>	<u>45,911,116</u>
Total liabilities	<u>6,850,195</u>	<u>41,099,174</u>	<u>47,949,369</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources	<u>1,313,349</u>	<u>-</u>	<u>1,313,349</u>
Total deferred inflows of resources	<u>1,313,349</u>	<u>-</u>	<u>1,313,349</u>

NET POSITION

Net position:			
Net investment in capital assets	1,791,643	16,092,064	17,883,707
Restricted	847,017	2,567,343	3,414,360
Unrestricted	<u>17,637,759</u>	<u>425,313</u>	<u>18,063,072</u>
Total net position	<u>20,276,419</u>	<u>19,084,720</u>	<u>39,361,139</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 28,439,963</u>	<u>\$ 60,183,894</u>	<u>\$ 88,623,857</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Operating revenues:			
Tenant revenue	\$ 1,306,383	\$ 3,327,864	\$ 4,634,247
HUD operating grants	8,427,274		8,427,274
Fraud recovery revenue	73,416	-	73,416
Other revenues	<u>2,513,140</u>	<u>40</u>	<u>2,513,180</u>
Total operating revenues	<u>12,320,213</u>	<u>3,327,904</u>	<u>15,648,117</u>
Operating expenses:			
Administrative	1,651,780	614,058	2,265,838
Tenant services	1,687	-	1,687
Utilities	325,681	630,214	955,895
Ordinary repairs and maintenance	1,079,856	898,098	1,977,954
Protective services	66,670	-	66,670
Insurance	71,189	102,730	173,919
General expenses	261,844	71,914	333,758
Housing assistance payments	6,818,528	-	6,818,528
Depreciation	<u>617,267</u>	<u>1,902,568</u>	<u>2,519,835</u>
Total operating expenses	<u>10,894,502</u>	<u>4,210,582</u>	<u>15,114,084</u>
Operating income (loss)	<u>1,425,711</u>	<u>(891,678)</u>	<u>534,033</u>
Non-operating revenues (expenses):			
Investment income	283,112	503,098	786,210
Interest expense	(189,795)	(709,614)	(899,409)
Gain on sale of fixed assets	<u>2,647,861</u>	<u>-</u>	<u>2,647,861</u>
Net non-operating revenues (expenses)	<u>2,741,178</u>	<u>(206,516)</u>	<u>2,534,662</u>
Income (loss) before special items	4,166,889	(1,098,194)	3,068,695
Transfers between primary government and discretely presented component units	<u>(33,324)</u>	<u>33,324</u>	<u>-</u>
Change in net position	4,133,565	(1,064,870)	3,068,695
Net position, beginning of year	<u>16,142,854</u>	<u>20,149,590</u>	<u>36,292,444</u>
Net position, end of year	<u>\$ 20,276,419</u>	<u>\$ 19,084,720</u>	<u>\$ 39,361,139</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Primary Government</u>
Cash Flows from Operating Activities:	
Cash received from tenants and others	\$ 3,902,360
Cash received from grantors	7,643,569
Cash paid to employees	(1,635,206)
Cash paid to vendors and suppliers	<u>(9,115,767)</u>
Net cash provided by operating activities	<u>794,956</u>
Cash Flows from Capital and Related Financing Activities:	
Principal payments of bonds/notes	(852,883)
Interest paid on long term debt	(258,068)
Purchase of capital assets	(4,197,068)
Proceeds from sale of capital assets	<u>5,304,022</u>
Net cash used in capital and related financing activities	<u>(3,997)</u>
Cash Flows from Investing Activities:	
Investment income	2,794
Purchase of investments	<u>(100)</u>
Net cash provided by investing activities	<u>2,694</u>
Net increase in cash, cash equivalents, and restricted cash	793,653
Cash, cash equivalents, and restricted cash, beginning of year	<u>5,076,282</u>
Cash, cash equivalents, and restricted cash, end of year	\$ <u><u>5,869,935</u></u>
Reconciliation of cash and cash equivalents to the Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 5,213,470
Tenant security deposits	20,094
Restricted cash	<u>636,371</u>
	\$ <u><u>5,869,935</u></u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Primary Government</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,425,711
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	617,267
Bad debt expense	26,738
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable, net	(3,694)
Prepaid expenses	(42,653)
Inventory, net	5,129
Deferred outflows of resources	35,486
Accounts payable	(79,264)
Accrued expenses	16,574
Tenant security deposits liability	(6,600)
Unearned revenue	(790,728)
Accrued compensated absences	13,686
Other liabilities	(659)
Accrued pension liability (asset)	(1,655,096)
Deferred inflows of resources	<u>1,233,059</u>
Net cash provided by operating activities	\$ <u>794,956</u>
Schedule of non-cash investing and financing activities:	
Issuance of sellers notes receivable	\$ <u>1,143,993</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
COMBINING STATEMENT OF NET POSITION (continued)
DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2021

	Emerald Family Properties LLLP	WWHA - Lariat Housing LLLP	WWHA - Marcus Whitman Homes LP	WWHA - Rosehaven Cottages LP	WWHA - Galbraith Gardens LLC	Walla Family Homes LLC	Walla Family Homes Two LLC	WWHA -Senior Housing Properties LLLP	Evergreen Commons LLLP	Housing Preservation LLLP	Totals
Current assets:											
Cash and cash equivalents	\$ 190,478	\$ 7,916	\$ -	\$ -	\$ 89,789	\$ 56,937	\$ 60,120	\$ 146,163	\$ 260,668	\$ 325,889	\$ 1,137,960
Tenant security deposits	23,301	10,573	-	-	7,600	16,800	19,300	20,637	-	21,600	119,811
Accounts receivable, net	30,781	10,475	-	-	2,421	5,244	7,395	8,463	-	11,156	75,935
Prepaid expenses	38,536	14,936	-	-	14,194	31,493	37,716	42,950	-	36,404	216,229
Total current assets	283,096	43,900	-	-	114,004	110,474	124,531	218,213	260,668	395,049	1,549,935
Non-current assets:											
Restricted cash	451,213	177,106	-	-	259,934	410,595	399,894	356,090	-	512,511	2,567,343
Other assets	44,365	18,459	-	-	19,716	62,399	66,011	47,556	-	-	258,506
Capital assets, net	12,644,783	6,254,332	-	-	2,582,639	6,280,522	9,398,016	9,658,215	1,940,306	7,049,297	55,808,110
Total non-current assets	13,140,361	6,449,897	-	-	2,862,289	6,753,516	9,863,921	10,061,861	1,940,306	7,561,808	58,633,959
Total assets	\$ 13,423,457	\$ 6,493,797	\$ -	\$ -	\$ 2,976,293	\$ 6,863,990	\$ 9,988,452	\$ 10,280,074	\$ 2,200,974	\$ 7,956,857	\$ 60,183,894

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
COMBINING STATEMENT OF NET POSITION (continued)
DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2021

	Emerald Family Properties LLLP	WWHA - Lariat Housing LLLP	WWHA - Marcus Whitman Homes LP	WWHA - Rosehaven Cottages LP	WWHA - Galbraith Gardens LLC	Walla Walla Family Homes LLC	Walla Walla Family Homes Two LLC	WWHA - Senior Housing Properties LLLP	Evergreen Commons LLLP	Housing Preservation LLLP	Totals
Current liabilities:											
Accounts payable	\$ 5,837	\$ 6,151	\$ -	\$ -	\$ 241	\$ 3,137	\$ 3,825	\$ 7,613	\$ 54,862	\$ 392,593	\$ 474,259
Tenant security deposits	23,300	10,700	-	-	7,900	17,700	19,500	20,700	-	21,600	121,400
Prepaid rent	17,412	3,669	-	-	4,447	15,184	19,311	3,683	-	4,706	68,412
Loans payable, current	44,429	35,591	-	-	19,716	-	13,547	48,526	-	-	161,809
Accrued interest payable	125,761	7,999	-	-	3,068	-	31,309	103,775	-	97,084	368,996
Other current liabilities	17,709	39,485	-	-	8,778	15,057	136,457	18,555	5,099	13,521	254,661
Total current liabilities	234,448	103,595	-	-	44,150	51,078	223,949	202,852	59,961	529,504	1,449,537
Non-current liabilities:											
Loans payable	10,978,738	5,449,818	-	-	3,368,945	2,733,697	1,946,580	7,730,411	1,230,703	6,115,345	39,554,237
Other non-current liabilities	-	-	-	-	-	-	95,400	-	-	-	95,400
Total non-current liabilities	10,978,738	5,449,818	-	-	3,368,945	2,733,697	2,041,980	7,730,411	1,230,703	6,115,345	39,649,637
Total liabilities	11,213,186	5,553,413	-	-	3,413,095	2,784,775	2,265,929	7,933,263	1,290,664	6,644,849	41,099,174
NET POSITION											
Net position:											
Net investment in capital assets	1,621,616	768,923	-	-	(806,022)	3,546,825	7,437,889	1,879,278	709,603	933,952	16,092,064
Restricted	451,213	177,106	-	-	259,934	410,595	399,894	356,090	-	512,511	2,567,343
Unrestricted (deficit)	137,442	(5,645)	-	-	109,286	121,795	(115,260)	111,443	200,707	(134,455)	425,313
Total net position	2,210,271	940,384	-	-	(436,802)	4,079,215	7,722,523	2,346,811	910,310	1,312,008	19,084,720
Total liabilities and net position	\$ 13,423,457	\$ 6,493,797	\$ -	\$ -	\$ 2,976,293	\$ 6,863,990	\$ 9,988,452	\$ 10,280,074	\$ 2,200,974	\$ 7,956,857	\$ 60,183,894

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2021

		Emerald Family Properties LLLP	WWHA - Lariat Housing LLLP	WWHA - Marcus Whitman Homes LP	WWHA - Rosehaven Cottages LP	WWHA - Galbraith Gardens LLC	Walla Walla Family Homes LLC	Walla Walla Family Homes Two LLC	WWHA - Senior Housing Properties LLLP	Evergreen Commons LLLP	Housing Preservation LLLP	Totals
Operating revenues:												
Tenant revenue	\$	717,175	\$ 412,077	\$ -	\$ -	\$ 301,506	\$ 426,445	\$ 550,599	\$ 682,799	\$ -	\$ 237,263	\$ 3,327,864
Other revenues		-	-	-	-	-	-	-	40	-	-	40
Total operating revenues		<u>717,175</u>	<u>412,077</u>	-	-	<u>301,506</u>	<u>426,445</u>	<u>550,599</u>	<u>682,839</u>	-	<u>237,263</u>	<u>3,327,904</u>
Operating expenses:												
Administrative		116,827	70,105	-	-	64,855	92,923	123,706	111,195	-	34,447	614,058
Utilities		146,249	42,919	-	-	41,544	113,803	131,241	119,030	-	35,428	630,214
Ordinary repairs and maintenance		172,349	82,987	-	-	81,579	170,711	137,015	196,333	-	57,124	898,098
Insurance		25,557	1,472	-	-	10,083	17,169	20,883	26,264	-	1,302	102,730
General expenses		13,481	17,116	-	-	1,649	11,551	14,067	14,050	-	-	71,914
Depreciation		<u>353,627</u>	<u>201,331</u>	-	-	<u>163,093</u>	<u>384,786</u>	<u>482,397</u>	<u>298,453</u>	-	<u>18,881</u>	<u>1,902,568</u>
Total operating expenses		<u>828,090</u>	<u>415,930</u>	-	-	<u>362,803</u>	<u>790,943</u>	<u>909,309</u>	<u>765,325</u>	-	<u>147,182</u>	<u>4,219,582</u>
Operating income (loss)		<u>(110,915)</u>	<u>(3,853)</u>	-	-	<u>(61,297)</u>	<u>(364,498)</u>	<u>(358,710)</u>	<u>(82,486)</u>	-	<u>90,081</u>	<u>(891,678)</u>
Non-operating revenues (expenses):												
Investment income		103	93	-	-	129	388	195	82	-	502,108	503,098
Interest expense		<u>(336,683)</u>	<u>(143,858)</u>	-	-	<u>(41,230)</u>	<u>(25,544)</u>	<u>(55,346)</u>	<u>(106,953)</u>	-	-	<u>(709,614)</u>
Net non-operating revenues (expenses)		<u>(336,580)</u>	<u>(143,765)</u>	-	-	<u>(41,101)</u>	<u>(25,156)</u>	<u>(55,151)</u>	<u>(106,871)</u>	-	<u>502,108</u>	<u>(206,516)</u>
Change in net position		(447,495)	(147,618)	-	-	(102,398)	(389,654)	(413,861)	(189,357)	-	592,189	(1,098,194)
Total net position, beginning of year		2,657,766	1,088,002	836,423	760,382	(334,404)	4,468,869	8,136,384	2,536,168	-	-	20,149,590
Equity transfers		-	-	<u>(836,423)</u>	<u>(760,382)</u>	-	-	-	-	910,310	719,819	33,324
Total net position, end of year	\$	<u>2,210,271</u>	<u>\$ 940,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (436,802)</u>	<u>\$ 4,079,215</u>	<u>\$ 7,722,523</u>	<u>\$ 2,346,811</u>	<u>\$ 910,310</u>	<u>\$ 1,312,008</u>	<u>\$ 19,084,720</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the City of Walla Walla (the "Authority") is a municipal corporation created under federal and state housing laws for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the city of Walla Walla (the "City"). The Authority is responsible for operating certain affordable housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a six member board of commissioners which is essentially autonomous, but is responsible to HUD. An Executive Director is appointed by the Authority's board of commissioners to manage the day-to-day operations of the Authority.

B. Basis of Accounting / Financial Statement Presentation

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The programs of the Authority are combined and considered an enterprise fund. An enterprise fund is used to account for activities that are operated in a manner similar to those found in the private sector.

The Authority's enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's financial statements are prepared in accordance with GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended ("GASB 34"). GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting / Financial Statement Presentation (continued)

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions* ("GASB 33"), grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

On January 30, 2008, HUD issued PIH Notice 2008-9 which requires that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the financial data schedule as unrestricted.

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Section 8 Housing Choice Vouchers program is no longer a cost reimbursement grant; therefore, the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting.

In accordance with 2 CFR 200.305(b)(9), any investment income earned up to \$500 on these funds may be retained by the Authority. Amounts in excess of \$500 must be remitted annually to the Department of Health and Human Services, Payment Management System.

C. Reporting Entity

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statement No. 14 and No. 34*, the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, this report includes blended and discretely presented component units. The blended component units are, although legally separate entities, in substance part of the Authority's operations and so data from these units are combined with data of the primary government and reflected in the "Primary Government" column on the financial statements. The discretely presented component units are reported in a separate column to emphasize that they are legally separate from the primary government. For financial reporting purposes, the Authority's reporting entity includes all financial activities that are controlled or dependent upon the actions taken by the Authority's board.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

The Authority's blended component units consist of the following:

Washington School Homes Planned Unit Development Property Owners Association (the "Association")

The Association was formed as a non-profit corporation under the laws of the State of Washington on August 15, 2007. The purpose of the Association is to manage the affairs of Washington School Homes Planned Unit Development, which property was made subject to Declaration of Covenants, Conditions, Restrictions and Reservations of the Washington School Homes Planned Unit Development (the "Development"). The Development consists of 25 single-family lots and 3 additional lots owned by the Authority. The number of memberships available equals the total number of lots within the Development. The Authority holds three memberships plus all memberships of unsold lots or living units. The Authority maintains memberships for the unsold lots or living units until such time termination occurs by selling or disposing of an ownership interest or property interest covered under the Declarations, and membership is transferred as a part of title.

Walla Walla Housing Foundation ("WWHF")

WWHF was formed as a non-profit corporation under the laws of the State of Washington on December 5, 2006. The purpose of the corporation is to support the Authority's educational, charitable, and scientific programs by performing fundraising exclusively for the benefit of the Authority. The sole member of WWHF is the Authority, who is responsible for appointing the board of commissioners and such other powers, including voting rights and approval rights.

The Authority's blended component units are currently inactive and have no material assets or liabilities.

The Authority's discretely presented component units consist of the following:

Emerald Family Properties Limited Liability Limited Partnership ("Emerald")

Emerald was formed as a limited liability limited partnership under the laws of the State of Washington on December 23, 2015. The partnership agreement was amended August 5, 2016. The purpose of Emerald is to rehabilitate and operate a rental housing project. It consists of 84 residential units located at 9 scattered-sites in Walla Walla, Washington and operates under the name of Emerald Family Properties. Emerald is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. Emerald has one general partner, the Authority, which has a 0.01 percent interest and one limited partner, Wincopin Circle LLLP with a 99.99 percent interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. The tax credit compliance period ends in 2031.

WWHA-Galbraith Gardens Limited Liability Company ("Galbraith Gardens")

Galbraith Gardens was formed as a limited liability company under the laws of the State of Washington on January 4, 2008. The purpose of Galbraith Gardens is to rehabilitate and operate a rental housing project. It consists of 34 residential units and a community room located in Walla Walla, Washington. Galbraith Gardens is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. Galbraith Gardens has one managing member, the Authority, which owns a 0.01 percent interest and one limited partner, Enterprise Housing Partners XVIII Limited Partnership, with a 99.99 percent ownership interest. All profits and losses are allocated to the members according to their ownership interest. The tax credit compliance period for Galbraith Gardens ends in 2023.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

WWHA-Lariat Housing Limited Liability Limited Partnership ("Lariat")

Lariat was formed as a limited liability limited partnership under the laws of the State of Washington on February 19, 2015. Lariat was formed to rehabilitate and operate a rental housing project. It consists of 43 residential units, a laundry room and an office located in Walla Walla, Washington and operates under the name of Lariat Gardens. Lariat is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. Lariat has one general partner, WWHHA-Lariat Limited Liability Company, which owns a 0.01 percent interest, and one limited partner, Enterprise Housing Partner XXIV Limited Partnership, with a 99.99 percent ownership interest. All profits and losses are allocated to the partners according to their ownership interest. The tax credit compliance period ends in 2029.

WWHA-Senior Housing Properties Limited Liability Limited Partnership ("Senior Housing")

Senior Housing was formed as a limited liability limited partnership under the laws of the State of Washington on July 18, 2016. Senior Housing was formed to rehabilitate and operate a rental housing project. It consists of 80 residential units at 3 separate sites located in Walla Walla and College Place, Washington and operates under the names of Creekside Cottages (25 units), Linden Place (31 units and community room), and Washington School Apartments (24 units). Senior Housing is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. Senior Housing has one general partner, the Authority, which owns a 0.01 percent interest, and one limited partner, NEF Assignment Corporation (as nominee), with a 99.99 percent ownership interest. All profits and losses are allocated to the partners according to their ownership interest. The tax credit compliance period ends in 2032.

Walla Walla Family Homes Limited Liability Company ("Family Homes")

Family Homes was formed as a limited liability company under the laws of the State of Washington on January 6, 2010. Family Homes was formed to construct and operate a rental housing project, targeted to farm workers. It consists of 60 residential units and one community room located in Walla Walla, Washington and operates under the name of Walla Walla Family Homes. The land is leased from the Authority. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one managing member, the Authority, which owns a 0.01 percent interest and one special member, Boston Capital Corporate Tax Credit Fund XXXIII Limited Partnership, with 99.99 percent ownership interest. All profits and losses are allocated to the members according to their ownership interest. The tax credit compliance period ends in 2025.

Walla Walla Family Homes Two Limited Liability Company ("Family Homes II")

Family Homes II was formed as a limited liability company under the laws of the State of Washington on November 26, 2014. Family Homes II was formed to construct and operate a rental housing project, targeted to farm workers. Family Homes II consists of 68 residential units and one community room located in Walla Walla, Washington and operates under the name of Walla Walla Family Homes Two. The land is leased from the Authority. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. Family Homes II has one managing member, the Authority, which owns a 0.01 percent interest and one special member, NEF Assignment Corporation, with 99.99 percent ownership interest. All profits and losses are allocated to the members according to their ownership interest. The tax credit compliance period for Family Homes II ends in 2029.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

WWHA - Housing Preservation LLLP ("HOPR")

HOPR was formed as a limited liability limited partnership under the laws of the State of Washington on August 26, 2021. HOPR was formed to rehabilitate and operate a rental housing project comprised of 21 units of low-income housing commonly known as Belmont Apartments; 25 units commonly known as Rosehaven Cottages; and 50 units commonly known as Marjorie Terrace. HOPR is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. HOPR has one general partner, the Authority, which owns a 0.01 percent interest, and one limited partner, NEF Assignment Corporation, with a 99.99 percent ownership interest. All profits and losses are allocated to the partners according to their ownership interest. The tax credit compliance period ends in 2036.

WWHA - Evergreen Commons, LLLP ("Evergreen")

Evergreen was formed as a limited liability limited partnership under the laws of the State of Washington on October 7, 2021. Evergreen was formed to acquire, invest in, develop, construct, own, lease, operate, manage, and maintain residential real property for occupancy by low-income persons. Evergreen is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. Evergreen has one general partner, the Authority, which owns a 0.01 percent interest, and one limited partner, NEF Assignment Corporation, with a 99.99 percent ownership interest. All profits and losses are allocated to the partners according to their ownership interest. The tax credit compliance period ends in 2036.

Operating budgets and capital improvements for the discretely presented component units are all approved by the Authority's board of commissioners.

Copies of the audited financial statements of the discretely presented component units which are presented on a December 31, fiscal year end, may be obtained by contacting Julie Hanson, Finance Director, 501 Cayuse Street, Walla Walla, WA 99362.

D. Description of Programs

The Authority maintains its accounting records by program. A summary of the significant properties and programs operated by the Authority is as follows:

Section 8 Housing Choice Vouchers

The Section 8 Housing Choice Vouchers program was established to provide rental assistance to eligible families to rent in the private market. The Authority administers approximately 750 housing vouchers in Walla Walla and Columbia Counties. The Authority's vouchers are designated for low-income individuals and families.

Section 8 Housing Choice Vouchers CARES Act Program

During the year ending December 31, 2021, the Authority was awarded CARES Act funding as part of the Section 8 Housing Choice Vouchers program. These funds are to be used to prevent, prepare for, and respond to the Coronavirus ("COVID-19"), as well as help the Authority maintain normal operations during the period impacted by COVID-19.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs (continued)

Project Based Vouchers

In 2016, as part of the Public and Indian Housing divestiture and conversion to a Low-Income-Housing-Tax-Credit project via HUD's Rental Assistance Demonstration program, the Authority was awarded 84 project based vouchers that are attached to the 84 units owned and operated by Emerald Family Properties LLLP. The project based vouchers are administered together with the Section 8 Housing Choice Vouchers program. Additionally, the Authority was awarded 20 VASH Project Based Vouchers which began leasing in June 2017 and are administered together with the VASH program.

HUD-Veterans Affairs Supportive Housing ("VASH")

The VASH program was established to provide rental assistance for homeless veterans to rent in the private market. The program is responsible for screening and referral. The Authority administers 220 VASH vouchers in Walla Walla, Columbia, Franklin, and Benton counties in Washington State and the greater Milton-Freewater area of Umatilla County in Oregon State.

Tenant Based Rental Assistance Program

The Tenant Based Rental Assistance Program was established to provide rental and deposit assistance to eligible homeless families to rent in the private market. Funding is provided from the State Department of Commerce using HOME funds under CFDA 14.239. The Authority administers the program and provides assistance to an annual average of 12 homeless individuals and families.

Veterans Homeless Program

The Corps of Recovery Discovery program is a transitional housing and vocational rehabilitation program for 24 homeless veterans. The Authority constructed four duplexes and two single units for the program and contracts with Valley Residential Services to provide services for the program. This program has the highest success rate per capita of any homeless Veterans program within the United States.

Neighborhood Stabilization Program

The Authority purchased two homes in 2010 as a sub-recipient of Neighborhood Stabilization Program funding for conversion to use as transitional housing for homeless veterans. The Authority leases the units to Valley Residential Services to provide services for ten homeless veterans.

Emergency Housing Vouchers

The purpose of Emergency Housing Vouchers is to assist individuals and families who are experiencing homelessness; at risk of experiencing homelessness; fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking; or were recently homeless and for whom providing rental assistance will prevent the family's homelessness or having high risk of housing instability. The Authority was awarded 15 vouchers in 2021.

Foothill Homes ("Foothill")

Foothill consists of 25 townhome-style apartments located on various sites throughout Walla Walla and is owned and operated by the Authority. Foothill receives no federal subsidies, however, due to funding received from the Washington Housing Trust Fund, the units are rented at 60% of the area median income.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs (continued)

Parkview Apartments ("Parkview")

Parkview consists of 48 apartments owned and operated by the Authority. Parkview receives no federal subsidies and the units are rented at market rate.

Enterprise

In order to account for indirect program revenue and expenses, the Authority has a separate 'fund' referred to as Enterprise. The indirect revenues and expenses are allocated to the Authority's ongoing programs based on the level of resources the programs require. This is the central office cost center and houses the administrative building with a community space that is available for use by each program's tenants and other groups and individuals. Included in Enterprise are revenues and expenses associated with the well-water system, sewer lift-stations, daycare facility and laundry facility located at the Valle Lindo property.

E. Use of Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment and contingencies. Actual results could differ significantly from these estimates.

F. Cash and Cash Equivalents

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

For the Statement of Cash Flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

G. Investments

Investments consist of certificates of deposit and are valued at their cost which approximates their market value in accordance with GASB 40, *Deposit and Investment Risk Disclosures - An Amendment of GASB No. 3*.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and due from vacated tenants. An allowance for doubtful accounts is established to provide for accounts which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts. Also, included in accounts receivable are those amounts that tenants owe the Authority for retroactive rent as payment for committing fraud or misrepresentation.

The Authority recognizes a receivable from HUD and other governmental agencies for amounts earned and billed but not received and for amounts unbilled, but earned as of year-end.

I. Allowance for Doubtful Accounts

The Authority periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectable. If it is determined that an account or accounts may be uncollectable, the Authority prepares an analysis of such accounts and records an appropriate allowance against such amounts.

J. Notes Receivable

The Authority has utilized funds in accordance with HUD guidelines to assist in the construction and redevelopment of numerous affordable housing developments through the issuance of mortgage notes. When preparing financial statements in accordance with GAAP, management is required to make estimates as to the collectability of such mortgage notes. When estimating collectability, management analyzes the value of the underlying mortgaged property, the property's ability to generate positive cash flow, and current economic trends and conditions.

K. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

L. Inventories, Net

Inventory consists of miscellaneous supplies and appliances and are valued at cost using the average cost method. If inventory falls below cost due to damage, deterioration, or obsolescence, the Authority writes down inventory to its net realizable value through the establishment of an allowance for obsolete inventory. As of December 31, 2021, the allowance for obsolete inventory totaled \$750.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Investment in Joint Ventures

The Authority holds minority ownership interests in various limited partnerships and limited liability companies whereby its maximum exposure to loss is its current investment. The Authority does not consolidate the limited partnerships in which it does not have the power to direct their activities that most significantly impact their economic performance and does not have an obligation to absorb losses or the right to receive benefits that could potentially be significant to the limited partnerships.

The Authority accounts for its investments in the various limited partnerships under the equity method, which requires that the investments are recorded at cost and adjusted for the Authority's share of income or loss. Since the Authority has no obligation to fund liabilities of the limited partnerships beyond its investment, the investment may not be reduced below zero.

The Authority regularly assesses its investment in limited partnerships and limited liability companies for the existence of impairment. Impairment typically occurs when the carrying value of the Authority's investment in an entity exceeds the estimated value of the investment as determined by management.

The estimated value generally consists of remaining future housing tax credits and other tax benefits allocable to, and the estimated residual value if any, of the investment available to the Authority. The residual value is estimated by management based on current economic and capital market conditions, operational results and the terms of the entity's agreements which provide for distributions to the Authority upon the liquidation of the entity or sale or disposition of its assets.

An impairment loss has no effect on the actual fair value of the underlying property or performance of the overall investment, nor does it have any effect on the remaining low-income housing tax credits to be generated. If an investment in an entity is considered to be impaired, the Authority reduces its investment in such entity on the Statement of Revenues, Expenses, and Changes in Net Position. The Authority did not recognize an impairment loss on its investments in limited partnerships or limited liability companies for the year ended December 31, 2021.

N. Capital Assets, Net

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position.

Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- | | |
|------------------------------|-----------------|
| • Buildings and Improvements | 27.5 - 30 years |
| • Land Improvements | 15 - 30 years |
| • Furniture and Equipment | 3 - 10 years |

The Authority has established a capitalization threshold of \$5,000.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Impairment of Long Lived Assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. During the year ended December 31, 2021 there were no impairment losses incurred.

P. Inter-program Receivables and Payables

Inter-program receivables and payables are all classified as either current assets or current liabilities, and are the result of the use of a concentrated account depository as the common paymaster for most of the programs of the Authority. Cash settlements are made monthly. All inter-program balances are reconciled, and inter-program receivables and payables balances net to zero. In accordance with GASB 34, inter-program receivables and payables are eliminated for financial statement purposes. Detail balances by program are found in the Financial Data Schedule of this report.

Q. Accounts Payable and Accrued Liabilities

The Authority recognizes a liability for goods and services received but not paid for as of year-end. The Authority recognizes a liability for wages and fringe benefits related to services performed at year-end but not yet paid to employees or taxing authorities.

R. Prepaid Rent

The Authority's prepaid rent primarily consists of the prepayment of rent by residents applicable to future periods.

S. Compensated Absences

Compensated absences are those absences for which employees will be paid in accordance with the Authority's Personnel Policy. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such event take place.

T. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Deferred Outflows and Inflows of Resources (continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

U. 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 the Washington State Department of Retirement Systems ("WDRS") and additions to/deductions from WDRS's fiduciary net position have been determined on the same basis as they are reported by WDRS. 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.

V. Equity Classifications

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of resources including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

W. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. The Authority receives annual operating subsidies from HUD, subject to limitations prescribed by HUD. Operating subsidies from HUD are recorded when received and are accounted for as revenue. Operating expenses are costs incurred in the operation of the program. The Authority classifies all other revenues and expenses as non-operating.

X. Economic Dependency

The Section 8 Housing Choice Vouchers program of the Authority is economically dependent on grants from HUD. The program operates at a loss prior to receiving the grants.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Y. Taxes

The Authority is a unit of local government under Washington law and is exempt from real estate, sales and income taxes.

Z. Risk Management

The Authority is a member of the Housing Authorities Risk Retention Pool ("HARRP"). HARRP was created for the purposes of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services.

The Authority is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by HARRP for all major programs and there have been no significant reductions in insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and said amount exceeds insurance coverage. Settlement amounts have not exceeded insurance coverage for the last three years.

NOTE 2. CASH AND CASH EQUIVALENTS

As of December 31, 2021, the Authority had funds on deposit in checking, savings, and money market accounts. The carrying amount of the Primary Government's cash and cash equivalents (including restricted cash) was \$5,869,935, and the bank balances of the primary government approximated \$6,033,073.

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity</u>
Unrestricted	\$ 5,213,470	\$ 1,137,960	\$ 6,351,430
Tenant security deposits	20,094	119,811	139,905
Restricted	<u>636,371</u>	<u>2,567,343</u>	<u>3,203,714</u>
Total cash and cash equivalents	\$ <u>5,869,935</u>	\$ <u>3,825,114</u>	\$ <u>9,695,049</u>

Of the bank balances of the primary government, \$250,000 was covered by federal depository insurance and the remaining \$5,783,073 was collateralized with the pledging financial institutions as of December 31, 2021.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2021, the Authority's bank balances were not exposed to custodial credit risk.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 3. INVESTMENTS

As of December 31, 2021, the primary government's investments are stated at cost which approximates their fair value, and consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>
<u>Unrestricted:</u>	
Certificates of Deposit:	
Banner Bank #1	\$ 192,649
Banner Bank #2	<u>67,907</u>
Total unrestricted investments	<u>\$ 260,556</u>
 <u>Restricted:</u>	
Certificates of Deposit - Banner Bank #3:	<u>\$ 28,160</u>

The Banner Bank #3 certificate of deposit is restricted for the repair and replacement of property within the Veterans Homeless Providers Grant Program.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following as of December 31, 2021:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity</u>
Accounts receivable - tenants, net	\$ 8,530	\$ 64,418	\$ 72,948
Accounts receivable - other government	40,620	-	40,620
Accounts receivable - fraud recovery, net	37,880	-	37,880
Accounts receivable - miscellaneous	<u>260,713</u>	<u>11,517</u>	<u>272,230</u>
Total accounts receivable, net	<u>\$ 347,743</u>	<u>\$ 75,935</u>	<u>\$ 423,678</u>

Accounts Receivable - Tenants, Net

Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent, maintenance charges and/or late fees. The balance is shown net of an allowance for doubtful accounts of \$728.

Accounts Receivable - Other Government

Accounts receivable - other government represents amounts owed to the Authority by other federal agencies and state and local governments. Management estimates the amounts to be fully collectible and therefore no allowance for doubtful accounts has been established.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 4. ACCOUNTS RECEIVABLE, NET (continued)

Accounts Receivable - Fraud Recovery, Net

Accounts receivable - fraud recovery, net represents amounts owed from tenants or other program participants who committed fraud or misrepresentation and now owe additional rent or retroactive rent. The amount is shown net of an allowance for doubtful accounts of \$7,407.

Accounts Receivable - Miscellaneous

Accounts receivable - miscellaneous consists of amounts owed to the Authority from the discretely presented component units for unreimbursed operating and development costs. Management estimates the amounts to be fully collectible and therefore no allowance for doubtful accounts has been established.

NOTE 5. RESTRICTED DEPOSITS

As of December 31, 2021, restricted deposits consisted of the following:

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity</u>
Housing assistance payment reserves	\$ 76,409	\$ -	\$ 76,409
Cafeteria plan escrows	4,806	-	4,806
Water and sewer system reserves	266,648	-	266,648
Reserve for replacement escrows	159,639	1,617,102	1,776,741
Operating reserves	61,541	950,241	1,011,782
Emergency housing vouchers reserves	67,328	-	67,328
Tenant security deposits	<u>20,094</u>	<u>119,811</u>	<u>139,905</u>
Total restricted deposits	\$ <u>656,465</u>	\$ <u>2,687,154</u>	\$ <u>3,343,619</u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers program for future housing assistance payments.

Cafeteria plan escrows are restricted for the Authority's employee benefit plan expenses.

Water and sewer system reserves are restricted for repairs to the water and sewer infrastructure.

Reserve for replacement funds are required to be set aside for future project expenditures in accordance with the RAD Conversion Commitment as well as certain loan covenants.

Operating reserves are funds set aside to cover certain operating deficits in certain projects.

Emergency housing vouchers reserves are restricted for use only in the Emergency Housing Vouchers program for future program expenditures. Of the total restricted funds, \$41,078 of the funds are restricted for future housing assistance payments and \$26,250 of the funds are restricted for future tenant services expenses.

Tenant security deposits represent amounts held by the Authority on behalf of tenants. Upon termination from the program, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 6. CAPITAL ASSETS, NET

The following is a summary of the primary government's changes in capital assets during the year ended December 31, 2021:

Description	December 31, 2020	Additions	Dispositions	Transfers	December 31, 2021
<u>Non-depreciable:</u>					
Land	\$ 1,959,544	\$ 294,448	\$ (465,938)	\$ -	\$ 1,788,054
Construction in progress	<u>96,084</u>	<u>1,116,405</u>	<u>(1,207,503)</u>	<u>(4,285)</u>	<u>701</u>
Total	<u>2,055,628</u>	<u>1,410,853</u>	<u>(1,673,441)</u>	<u>(4,285)</u>	<u>1,788,755</u>
<u>Depreciable:</u>					
Buildings and improvements	10,443,175	2,726,565	(3,422,595)	4,285	9,751,430
Furniture and equipment	<u>536,720</u>	<u>59,650</u>	<u>(44,184)</u>	<u>-</u>	<u>552,186</u>
Total	<u>10,979,895</u>	<u>2,786,215</u>	<u>(3,466,779)</u>	<u>4,285</u>	<u>10,303,616</u>
Less: accumulated depreciation	<u>3,909,079</u>	<u>617,267</u>	<u>(698,437)</u>	<u>-</u>	<u>3,827,909</u>
Net capital assets	<u>\$ 9,126,444</u>	<u>\$ 3,579,801</u>	<u>\$ (4,441,783)</u>	<u>\$ -</u>	<u>\$ 8,264,462</u>

Depreciation expense for the fiscal year ended December 31, 2021 amounted to \$617,267.

The following is a summary of the discretely presented component units' changes in capital assets during the year ended December 31, 2021:

Description	December 31, 2020	Additions	Dispositions	Transfers	December 31, 2021
<u>Non-depreciable:</u>					
Land	\$ 3,155,804	\$ 3,175,758	\$ -	\$ -	\$ 6,331,562
Construction in progress	<u>-</u>	<u>3,761,458</u>	<u>-</u>	<u>(17,843)</u>	<u>3,743,615</u>
Total	<u>3,155,804</u>	<u>6,937,216</u>	<u>-</u>	<u>(17,843)</u>	<u>10,075,177</u>
<u>Depreciable:</u>					
Buildings and improvements	63,780,236	1,776,820	(6,584,502)	-	58,972,554
Furniture and equipment	<u>1,377,978</u>	<u>-</u>	<u>(177,894)</u>	<u>17,843</u>	<u>1,217,927</u>
Total	<u>65,158,214</u>	<u>1,776,820</u>	<u>(6,762,396)</u>	<u>17,843</u>	<u>60,190,481</u>
Less: accumulated depreciation	<u>16,482,385</u>	<u>1,902,568</u>	<u>(3,927,405)</u>	<u>-</u>	<u>14,457,548</u>
Net capital assets	<u>\$ 51,831,633</u>	<u>\$ 6,811,468</u>	<u>\$ (2,834,991)</u>	<u>\$ -</u>	<u>\$ 55,808,110</u>

Depreciation expense for the fiscal year ended December 31, 2021 amounted to \$1,902,568.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 7. NOTES RECEIVABLE

Outstanding notes receivable as of December 31, 2021 consisted of the following:

<u>Description</u>	<u>Amount</u>
On August 5, 2016, the Authority entered into a loan agreement with Emerald in the amount of \$700,000. The loan is non-interest bearing, with an annual payment contingent upon cash flow. Principal is due at maturity December 31, 2071. The loan is secured by deed of trust on the property.	\$ 700,000
On August 5, 2016, the Authority entered into a loan agreement with Emerald in the amount of \$4,743,245. The loan accrues interest at 3% compounded annually. Annual payments are contingent upon cash flow with unpaid principal and accrued interest due at maturity December 31, 2071. The loan is secured by deed of trust on the property and is shown net of an allowance for uncollectable amounts of \$1,666,689. Included in the balance is accrued interest of \$767,052.	5,510,297
On August 5, 2016, the Authority entered into a loan agreement with Emerald in the amount of \$1,479,255. The loan accrues interest at 3% compounded annually. Annual payments are contingent upon cash flow with unpaid principal and accrued interest due at maturity December 31, 2071. The loan is secured by deed of trust on the property. Included in the balance is accrued interest of \$139,261.	1,618,516
On August 5, 2016, the Authority entered into a loan agreement with Emerald Family Properties LLLP in the amount of \$1,080,590. The loan accrues interest at 3% compounded annually. Annual payments are contingent upon cash flow with unpaid principal and accrued interest due at maturity (December 31, 2071). The loan is secured by deed of trust on the property. Included in the balance is accrued interest of \$178,138.	1,258,728
On November 8, 2016, the Authority entered into a loan agreement with Senior Housing in the amount of \$1,264,711. The loan accrues interest at 2.07% compounded annually. Annual payment contingent upon cash flow; principal and accrued interest due at maturity, March 31, 2057. The loan is secured by deed of trust on the property. Included in the balance is accrued interest of \$131,689.	1,396,400
The Authority entered into a mortgage assistance note on June 28, 2010 with a borrower in the amount of \$31,000 for a property located at 505 Martha Street, Walla Walla, WA 99362. The loan bears no interest unless borrower is in default of the note, in which case interest shall accrue at 12% per annum. The note matures when ownership of the property is transferred or unless the borrower is in default of the terms of the deed of trust securing this note.	31,000

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 7. NOTES RECEIVABLE (continued)

<u>Description</u>	<u>Amount</u>
The Authority entered into a mortgage assistance note on June 18, 2010 with a borrower in the amount of \$31,000 for a property located at 548 Quarter Street, Walla Walla, WA 99362. The loan bears no interest unless borrower is in default of the note, in which case interest shall accrue at 12% per annum. The note matures when ownership of the property is transferred or unless the borrower is in default of the terms of the deed of trust securing this note.	31,000
The Authority entered into a loan with WWHHA - Evergreen Commons, LLLP in the original amount of \$331,000 on October 8, 2021. The loan bears interest at a rate of 5%, matures on October 8, 2061, and is secured by a deed of trust.	331,000
The Authority entered into a loan with WWHHA - Housing Preservation, LLLP in the original amount of \$1,143,993 on August 26, 2021. The loan bears interest at a rate of 1.89%, matures on August 26, 2061, and is secured by a deed of trust.	<u>1,143,993</u>
Total notes receivable	<u>\$ 12,020,934</u>

As of December 31, 2021, accrued interest on the aforementioned notes receivable amounted to \$1,216,140 and is included in notes receivable, non-current on the primary government's Statement of Net Position.

NOTE 8. OTHER ASSETS, NET

Other assets consisted of the following as of December 31, 2021:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity</u>
Net pension asset	\$ 1,128,896	\$ -	\$ 1,128,896
Investment in joint ventures	214,128	-	214,128
Tax credit fees, net	<u>-</u>	<u>258,506</u>	<u>258,506</u>
Total other assets	<u>\$ 1,343,024</u>	<u>\$ 258,506</u>	<u>\$ 1,601,530</u>

The Authority recognizes a net pension asset, in accordance with GASB 68, in which employers are required to recognize and report certain amounts associated with their participation in the WDRS. See Note 11 for additional information.

Deposits with joint ventures represents upfront development costs paid to various limited partnerships. Amounts will be repaid from equity contributions from limited partners or from available cash flow.

Tax credit fees, net represent costs incurred to obtain tax credits and financing for projects that have been capitalized and are being amortized over fifteen (15) years.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 9. NON-CURRENT LIABILITIES

Non-current liabilities of the primary government as of December 31, 2021 consisted of the following:

Description	December 31, 2020	Additions	Payments	December 31, 2021	Amounts due within one Year
Compensated absences	\$ 130,449	\$ 13,686	\$ -	\$ 144,135	\$ 144,135
Accrued pension liability	526,200	-	(526,200)	-	-
Loans payable	<u>7,603,007</u>	<u>-</u>	<u>(1,130,188)</u>	<u>6,472,819</u>	<u>211,340</u>
Total long-term liabilities	<u>\$ 8,259,656</u>	<u>\$ 13,686</u>	<u>\$ (1,656,388)</u>	<u>\$ 6,616,954</u>	<u>\$ 355,475</u>

Non-current liabilities of the discretely presented component units as of December 31, 2021 consisted of the following:

Description	December 31, 2020	Additions	Payments	December 31, 2021	Amounts due within one Year
Developer fee payable	\$ 164,833	\$ -	\$ (69,433)	\$ 95,400	\$ -
Loans payable	<u>34,452,561</u>	<u>5,263,485</u>	<u>-</u>	<u>39,716,046</u>	<u>161,809</u>
Total long-term liabilities	<u>\$ 34,617,394</u>	<u>\$ 5,263,485</u>	<u>\$ (69,433)</u>	<u>\$ 39,811,446</u>	<u>\$ 161,809</u>

NOTE 10. LOANS PAYABLE

Loans payable of the primary government consisted of the following as of December 31, 2021:

Description	Amount
The Authority entered into a loan with WSHFC for Parkview on November 28, 2017 in the amount of \$663,000. The loan bears interest at a rate of 1%, matures in 2024, and is secured by real estate.	\$ 663,000
The Authority entered into a bond with Banner Bank on December 28, 2017 in the amount of \$1,400,000. The outstanding principal balance of the loan bears interest at a rate of 3.50% per annum. Effective March 1, 2028, up to but not including March 1, 2033, the outstanding principal balance of each draw shall bear interest at a rate determined by the bank to be the lesser of 5.07% per annum or the greater of 3.07% or the sum of .14% plus the most recent five year advance rate of the Federal Home Loan Bank of Des Moines ("FHLB"). Effective March 1, 2033, until maturity or prepayment in full, the outstanding principal balance of each draw shall bear interest at a rate determined by the bank to be the lesser of 7.07% per annum or the greater of 3.07% or the sum of .14% plus the most recent FHLB rate. The bond matures on March 1, 2038.	495,365

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 10. LOANS PAYABLE (continued)

<u>Description</u>	<u>Amount</u>
The Authority entered into a loan with Banner Bank for CORD-1 on January 18, 1998 in the amount of \$126,000. The loan bears interest at a rate of 4.5%, matures in 2028, and is secured by real estate.	25,080
The Authority entered into a loan with Banner Bank for CORD-1 on September 13, 1998 in the amount of \$70,000. The loan bears interest at a rate of 4.5%, matures in 2028, and is secured by real estate.	41,376
The Authority entered into a loan with the WA State Department of Health for the Drinking Water State Reserve Fund on May 3, 2013 in the amount of \$253,595. The loan bears interest at a rate of 3%, matures in 2028.	110,948
The Authority entered into a loan with Banner Bank for the Parkview Apartments on November 27, 2016 in the original amount of \$1,640,000. On December 29, 2021, the Authority refinanced the loan in the amount of \$1,312,946. The loan bears interest at a rate of 2.65%, matures in 2026, and is secured by real estate.	1,306,788
The Authority entered into a loan with Banner Bank for Foothill Homes - Banner Permanent on July 1, 2010 in the amount of \$2,054,600. The loan bears interest at a rate of 5%, matures in 2040, and is secured by real estate.	1,612,762
The Authority entered into a loan with the Department of Commerce for Foothill Homes - HTF on October 30, 2009 in the amount of \$1,875,000. The loan bears interest at a rate of 1%, matures in 2050, and is secured by real estate.	1,715,000
The Authority entered into a loan with WSHFC for Woodland on March 10, 2020 in the amount of \$502,500. The loan bears interest at a rate of 1%, matures on March 30, 2028, and is secured by real estate.	<u>502,500</u>
Total long-term debt	6,472,819
Less: current portion	<u>211,340</u>
Long-term debt, net of current portion	<u>\$ 6,261,479</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 10. LOANS PAYABLE (continued)

Annual debt service for principal and interest over the next five years and in five-year increments thereafter are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 211,340	\$ 147,493	\$ 358,833
2023	224,122	139,762	363,884
2024	889,603	136,160	1,025,763
2025	236,592	118,033	354,625
2026	243,212	110,297	353,509
2027-2031	1,750,240	435,276	2,185,516
2032-2036	1,473,366	237,399	1,710,765
2037-2041	835,018	47,694	882,712
2042-2046	321,250	-	321,250
2047-2049	288,076	-	288,076
	<u>\$ 6,472,819</u>	<u>\$ 1,372,114</u>	<u>\$ 7,844,933</u>

Interest expense for the year ended December 31, 2021 totaled \$189,795.

A summary of the Authority's discretely presented component units long-term debt is as follows:

<u>Loans payable to the Authority as evidenced by a Note Receivable (see Note 7):</u>	<u>Amount</u>
On August 5, 2016, the Authority entered into a loan agreement with Emerald in the amount of \$700,000. The loan is non-interest bearing with annual payment contingent upon cash flow. Principal and accrued interest is due at maturity, December 31, 2071. The loan is secured by deed of trust on the property.	\$ 700,000
On August 5, 2016, the Authority entered into a loan agreement with Emerald in the amount of \$4,743,245. The loan accrues interest at 3% compounded annually. Annual payments are contingent upon cash flow with unpaid principal and accrued interest due at maturity (December 31, 2071). The loan is secured by deed of trust on the property. Accrued interest on the loan totaled \$767,052.	5,510,297
On August 5, 2016, the Authority entered into a loan agreement with Emerald in the amount of \$1,479,255. The loan accrues interest at 3% compounded annually. Annual payments are contingent upon cash flow with unpaid principal and accrued interest due at maturity (December 31, 2071). The loan is secured by deed of trust on the property. Accrued interest on the loan totaled \$139,261.	1,618,516

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 10. LOANS PAYABLE (continued)

<u>Description</u>	<u>Amount</u>
On August 5, 2016, the Authority entered into a loan agreement with Emerald Family Properties LLLP in the amount of \$1,080,590. The loan accrues interest at 3% compounded annually. Annual payments are contingent upon cash flow with unpaid principal and accrued interest due at maturity (December 31, 2071). The loan is secured by deed of trust on the property. Accrued interest on the loan totaled \$178,138.	1,258,728
On November 8, 2016, the Authority entered into a loan agreement with Senior Housing in the amount of \$1,264,711. The loan accrues interest at 2.07% compounded annually. Annual payment contingent upon cash flow; principal and accrued interest due at maturity, March 31, 2057. The loan is secured by deed of trust on the property. Accrued interest on the loan totaled \$131,689.	1,396,400
The Authority entered into a loan with WWHA - Evergreen Commons, LLLP in the original amount of \$331,000 on October 8, 2021. The loan bears interest at a rate of 5%, matures on October 8, 2061, and is secured by a deed of trust.	331,000
The Authority entered into a loan with WWHA - Housing Preservation, LLLP in the original amount of \$1,143,993 on August 26, 2021. The loan bears interest at a rate of 1.89%, matures on August 26, 2061, and is secured by a deed of trust.	<u>1,143,993</u>
Total primary government loans to discretely presented component units	\$ <u>11,958,934</u>
<u>Loans payable to other lenders:</u>	
Family Homes entered into a loan with the State of Washington in the original amount of \$2,500,000; interest at 1% adding to principal beginning on January 1, 2012; quarterly interest payments of \$6,250 beginning March 31, 2032, continuing through September 30, 2051; balloon payment of \$3,006,250 due on or before maturity, December 31, 2051; secured by deed of trust on the related real estate.	\$ 2,750,000
Family Homes II entered into a note with Washington Community Reinvestment Association in the original amount of \$750,000, interest at 5.75%; monthly principal and interest payments of \$4,377 continuing through December 31, 2034; collateralized by investment in real estate.	683,962
Family Homes II entered into a loan with the State of Washington in the original amount of \$1,300,000; compounding interest at 1% beginning January 1, 2015; annual payments of \$5,000 beginning December 31, 2015, through December 31, 2032; annual payments of \$13,000 beginning December 31, 2033, through December 31, 2043; final payments of \$70,000 beginning December 31, 2044; final payment of \$906,009 due on or before maturity, December 31, 2054; secured by deed of trust on the related real estate.	1,340,808

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 10. LOANS PAYABLE (continued)

<u>Loans payable to other lenders:</u>	<u>Amount</u>
Galbraith Gardens entered into a note with Washington Community Reinvestment Association in the original amount of \$800,000, interest at 5.75%; monthly installments of principal and interest of \$4,669 beginning September 1, 2010, continuing through August 1, 2028, when a balloon payment of \$487,150 will be due; collateralized by investment in real estate.	640,373
Galbraith Gardens entered into a loan with the State of Washington in the original amount of \$2,825,000 with no interest; annual payments of \$17,105 begin December 31, 2027, continuing through December 31, 2049, when a balloon payment of \$2,448,690 will be due; collateralized by investment in real estate.	2,825,000
Emerald entered into a construction loan with Banner Bank, dated August 5, 2016 for \$7,400,000; interest at 2.75%; monthly interest only payments; construction loan matured February 2018, subject to a 6-month extension provided certain conditions are met; \$2,200,000 converted to a term loan on May 1, 2018; upon conversion term loan bears interest at 3.75% and is due to mature on May 1, 2035; secured by deed of trust on the related real estate.	2,051,533
Lariat entered into a construction loan with Banner Bank, dated July 13, 2014 for \$4,150,000; bore interest at a variable rate, 3.75%; construction loan matured July 1, 2016; \$2,000,000 converted to a term loan with interest at 5.25% and monthly payments of \$11,044 with a maturity date of July 1, 2033; secured by deed of trust on the related real estate.	1,828,353
Lariat entered into a loan with the State of Washington Department of Commerce, dated May 5, 2014, \$3,500,000; 1% interest compounding quarterly and added to principal, beginning January 1, 2015; beginning March 31, 2032, quarterly payments of principal and interest of \$6,500 through September 30, 2054; matures December 31, 2054, secured by deed of trust on the related real estate.	3,753,451
HOPR, Marjorie Terrace, entered into a loan with the State of Washington at rate of 1% per annum. The loan matures on July 31, 2061 and is secured by a deed of trust and assignment of rents.	1,359,567
HOPR, Belmont Apartments, entered into a loan with the Department of Commerce for Belmont Apartments on June 30, 2009 in the amount of \$313,920. The loan bears interest at a rate of 1.89%, matures in 2061, and is secured by real estate.	284,278
HOPR, Belmont Apartments, entered into a loan with the Department of Commerce for Belmont Apartments on August 24, 2021 in the amount of \$500,000. The loan bears interest at a rate of 1%, matures in 2066, and is secured by real estate.	300,888

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 10. LONG TERM DEBT (continued)

<u>Loans payable to other lenders:</u>	<u>Amount</u>
HOPR, Rosehaven Cottages, entered into a mortgage payable with the State of Washington, no interest, quarterly payments of \$875 beginning March 31, 2007, until maturity, December 31, 2045, at which time a balloon payment of \$714,375 is due; secured by deed of trust on the investment in real estate.	803,625
Senior Housing entered into a mortgage with Banner Bank in the amount of \$2,200,000, interest at 3.375%, monthly principal and interest payments of \$10,189; matures April 2036; secured by deed of trust on the related real estate.	2,042,479
Senior Housing entered into a loan with the State of Washington Department of Commerce, dated November 2, 2016, for \$4,099,646; 3% interest compounding annually; annual payment contingent upon cash flow; principal and accrued interest due at maturity, March 31, 2057; secured by deed of trust on the related real estate.	4,492,118
HOPR entered into a construction loan with Banner Bank, dated August 26, 2021 for an amount not to exceed \$7,000,000; 2.75% interest compounding annually. The construction loan matures September 1, 2023, which is subject to one six month extension, where HOPR can then convert to a term loan with interest at 3.13% and a maturity date of September 1, 2040; secured by deed of trust on the related real estate.	2,222,994
Evergreen entered into a construction loan with Banner Bank, dated October 1, 2021 for \$5,100,000; 3% interest compounding annually. The construction loan matures November 1, 2023; secured by deed of trust on the related real estate.	109,307
Evergreen entered into a loan with the Department of Commerce on October 5, 2021 in the amount of \$3,100,000. The loan bears interest at a rate of 1%, matures on September 29, 2062, and is secured by real estate.	<u>790,396</u>
Total long-term debt to other lenders	28,279,132
Less: debt issuance costs	<u>522,020</u>
Total long-term debt, net of debt issuance costs	39,716,046
Less: current portion of long-term debt	<u>161,809</u>
Total long-term debt, net of current portion	<u>\$ 39,554,237</u>

Interest expense for the year ended December 31, 2021 totaled \$709,614.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 11. PENSION PLAN

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 2021:

<u>Account Description</u>	<u>Primary Government</u>
Net pension asset	\$ <u>(1,128,896)</u>
Deferred inflow of resources	\$ <u>1,313,349</u>
Deferred outflow of resources	\$ <u>125,073</u>
Pension (benefit) expense	\$ <u>(304,657)</u>

State Sponsored Pension Plans

All of the Authority's 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

The DRS CAFR may also 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 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.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from inactive status prior to the age of 65 may also receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 11. PENSION PLAN (continued)

Public Employees' Retirement System (PERS) (continued)

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, adopted by the Pension Funding council, and is subject to change by the Legislature. It 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 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	6.00%
Administrative Fee	0.18%	
Total	12.97%	12.00%

* For employees participating in JBM, the contribution rate was 12.97%

The Authority's actual contributions to PERS Plan 1 were \$72,641 for the year ended December 31, 2021.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2 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 monthly average of the member's 60 consecutive highest-paid service months. 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 if a survivor benefit is chosen. Other PERS Plan 2/3 benefits includes a cost-of-living allowance (based on the CPI), capped at three percent annually. 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 can change rates only when changing employers. As established by State statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and maximum of 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.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 11. PENSION PLAN (continued)

Public Employees' Retirement System (PERS) (continued)

Contributions (continued)

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 2010 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2021	12.97%	7.90%
July through December 2021	10.25%	6.36%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 19.75%

The Authority's actual contributions to the PERS Plan 2/3 were \$118,671 for the year ended December 31, 2021.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the *2013-2018 Demographic Experience Study Report* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.40%

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status (eg, active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 11. PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.40% for all plans included in this publication. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members.

Based on the assumptions described in OSA's certification letter within the DRS CAFR, the pension plan's 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 7.40% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

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, 2021, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability / (Asset)

The table below presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1	202,885	119,094	46,021
PERS 2/3	(355,528)	(1,247,990)	(1,982,933)

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 11. PENSION PLAN (continued)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2021, the Authority reported a total pension liability (asset) of \$(1,128,896) for its proportionate share of the net pension liabilities (assets) as follows:

<u>Plan</u>	<u>Liability / (Assets)</u>
PERS 1	\$ 119,094
PERS 2/3	<u>(1,247,990)</u>
Total	<u>\$ (1,128,896)</u>

At June 30, 2021, the Authority's proportionate share of the collective net pension liabilities was as follows:

	<u>Proportionate Share June 30, 2020</u>	<u>Proportionate Share June 30, 2021</u>	<u>Change in Proportion</u>
PERS 1	0.010141%	0.009752%	-0.000389%
PERS 2/3	0.013149%	0.012528%	-0.000621%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 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 Non-employer Allocations* for all plans except for the Law Enforcement Officers and Firefighters ("LEOFF") Plan 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2021, and the actuarial valuation date on which the total pension liability (asset) is based was June 30, 2020, with update procedures used to roll forward the total pension liability to the measurement date.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 11. PENSION PLAN (continued)

Pension Expense (Benefit)

For the year ended December 31, 2021, the Authority recognized pension expense (benefit) as follows:

	Pension Expense (Benefit)
PERS 1	\$ (21,879)
PERS 2/3	<u>(282,778)</u>
Total	<u>\$ (304,657)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
PERS Plan 1		
Net differences between projected and actual investment earnings on pension plan investments	\$ -	\$ 132,155
Contributions subsequent to measurement date	<u>26,002</u>	<u>-</u>
Total PERS Plan 1	<u>\$ 26,002</u>	<u>\$ 132,155</u>
PERS Plan 2/3		
Changes of Assumptions	\$ 1,824	\$ 88,628
Differences between expected and actual experience	60,613	15,299
Net differences between projected and actual investment earnings on pension plan investments	-	1,043,027
Changes in proportion and differences between contributions and proportionate share of contributions	(7,942)	34,239
Contributions subsequent to measurement date	<u>44,576</u>	<u>-</u>
Total PERS Plan 2/3	<u>99,071</u>	<u>1,181,193</u>
Total PERS Plans 1,2 and 3	<u>\$ 125,073</u>	<u>\$ 1,313,348</u>

Amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	<u>Amount</u>
2022	\$ (260,544)
2023	(260,544)
2024	(184,883)
2025	(258,712)
2026	(210,948)
Thereafter	<u>(83,222)</u>
	<u>\$ (1,258,853)</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 12. RELATED PARTY TRANSACTIONS

Emerald, Galbraith Gardens, Lariat, HOPR, Senior Housing, Family Homes and Family Homes Two are managed by the Authority. As such, the managing partner is entitled to, per the partnership agreements, certain property management and administrative fees.

The Authority earned the following fees during the year ended December 31, 2021:

Description	Partnership Admin Fee	Property Management Fee	Total
Emerald	\$ 5,515	\$ 49,165	\$ 54,680
Galbraith Gardens	8,465	23,510	31,975
Lariat	11,038	21,072	32,110
Senior Housing	-	45,708	45,708
Family Homes	10,000	29,459	39,459
Family Homes Two	<u>22,138</u>	<u>48,706</u>	<u>70,844</u>
Total	\$ <u>57,156</u>	\$ <u>217,620</u>	\$ <u>274,776</u>

The Authority has entered into several long-term ground leases with its component units ranging from 50 to 99 years. Annual lease payments range from \$1 to \$12.

The partnership agreements between the Authority and its component units provide for various obligations of the general partner including its obligation to provide funds for any development and operating deficits. The specific details of the notes payable from the Component Units to the Authority, if any, are disclosed in Note 10.

The table below lists the amounts owed from the various component units which are included in notes receivable, accrued interest and accounts receivable on the Statement of Net Position for the Primary Government.

<u>Description</u>	<u>Amount</u>
<u>Emerald</u>	
Year-end fees	\$ 17,709
AHP Note	700,000
Seller loan, including accrued interest	5,510,297
Sponsor loan A, including accrued interest	1,618,516
Sponsor loan B, including accrued interest	<u>1,258,728</u>
	\$ <u>9,105,250</u>
<u>Galbraith Gardens</u>	
Year-end fees	\$ 4,052
Partnership fees	<u>4,726</u>
	\$ <u>8,778</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 12. RELATED PARTY TRANSACTIONS (continued)

Lariat

Year-end fees	\$ 5,146
Partnership fee	<u>34,339</u>
	<u>\$ 39,485</u>

HOPR

Year-end fees	\$ 13,521
Seller loan, including accrued interest	<u>1,143,993</u>
	<u>\$ 1,157,514</u>

Evergreen

Seller loan, including accrued interest	<u>\$ 331,000</u>
---	-------------------

Senior Housing

Year-end fees	\$ 18,555
Seller loan, including accrued interest	<u>1,367,695</u>
	<u>\$ 1,386,250</u>

Family Homes

Year-end fees	\$ 1,667
Partnership fee	<u>12,291</u>
	<u>\$ 13,958</u>

Family Homes Two

Year-end fees	\$ 14,389
Partnership fee	<u>122,068</u>
	<u>\$ 136,457</u>

NOTE 13. RESTRICTED NET POSITION

Restricted net position consists of the following as of December 31, 2021:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity</u>
Housing assistance payment reserves	\$ 318,111	\$ -	\$ 318,111
Operating and replacement reserves	221,180	2,567,343	2,788,523
Water and sewer system reserves	266,648	-	266,648
Emergency housing vouchers reserves	41,078	-	41,078
Net pension asset	<u>241,702</u>	<u>-</u>	<u>241,702</u>
Total restricted net position	<u>\$ 847,017</u>	<u>\$ 2,567,343</u>	<u>\$ 3,414,360</u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers program for future housing assistance payments.

Operating and replacement reserves are restricted for use within their respective project for operating expenses and the replacement and rehabilitation of property and equipment.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 13. RESTRICTED NET POSITION (continued)

Water and sewer system reserves are restricted for repairs to the water and sewer infrastructure.

Emergency housing vouchers reserves are restricted for use only in the Emergency Housing Vouchers program for future housing assistance payments.

The Authority recognizes a net pension asset, in accordance with GASB 68, in which employers are required to recognize and report certain amounts associated with their participation in the WDRS. See Note 11 for additional information.

NOTE 14. GAIN ON SALE

During August of 2021, the Authority sold the projects commonly known as Belmont Apartments, Rosehaven Cottages, Marjorie Terrace or Marcus Whitman. Details of the sale are noted below:

	<u>Amount</u>
Sale price	\$ 4,657,026
Assets sold: Capital assets, net	<u>(3,181,382)</u>
	1,475,644
Forgiveness of debt	<u>860,350</u>
Gain on sale of property	<u>\$ 2,335,994</u>

During October of 2021, the Authority sold the project commonly known as Evergreen Apartments. Details of the sale are noted below:

	<u>Amount</u>
Sale price	\$ 590,000
Assets sold: Capital assets, net	<u>(278,133)</u>
Gain on sale of property	<u>\$ 311,867</u>

NOTE 15. RISK MANAGEMENT

The Authority is a member of HARRP. Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Inter-local Cooperation Act), 55 public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purposes of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP currently has a total of 88 members in the states of Washington, Oregon, Nevada and California; 38 of the 88 members are Washington public housing entities.

New members originally contract for a 3-year term and thereafter automatically renew on an annual basis. Members may quit (after completion of the 3-year commitment) upon giving written notice to HARRP prior to their renewal date. HARRP can terminate the members after giving a sixty (60) day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 15. RISK MANAGEMENT (continued)

Members are placed into an actuarially determined rate tier designed to reflect loss experience of the member for the previous four years. The tiered system is designed to adjust rates based on claims experience.

Automobile Liability coverage is written on an occurrence basis, with \$250 - \$500 in deductibles. General Liability coverage is also written on an occurrence basis with a variable deductible ranging from 0% to 10% of the claim. Errors & Omissions coverage and Employment Practices Liability coverage are written on a claims-made basis, and the members are responsible for \$2,500 or up to 10% of the incurred costs of the claims. Due to special underwriting circumstances, some members may be subject to a greater E&O co-payment. The Property coverage offered by HARRP is on a replacement cost basis with deductibles ranging from \$1,000 to \$25,000. Fidelity coverage, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty and forgery or alteration and \$10,000 for theft are also provided with deductibles the same as Property.

Coverage limits for General Liability, Errors & Omissions and Property are \$2,000,000 per occurrence and \$2,000,000 annual aggregate. Some members have chosen greater Property limits for higher valued properties. Limits for Automobile Liability are \$2,000,000/\$2,000,000.

In 2011 HARRP re-structured its self-insurance program to transfer a portion of the risk to the commercial marketplace. HARRP self-insures 50% of the full layer of coverage for liability lines (\$2,000,000 per occurrence and \$2,000,000 annual aggregate) and purchases reinsurance for the remaining \$1,000,000. For Property, HARRP purchases \$45,000,000 of reinsurance for a combined total of \$47,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

HARRP provides loss control services, claim investigation and adjusting, litigation management and defense with in-house staff and retained third party contractors.

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

Risk Exposure and Claims:

There were no damage claims in 2021. Claims have not exceeded insurance coverage in any of the last three years.

NOTE 16. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of December 31, 2021, the Authority estimates that no material liabilities will result from such audits.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2021

NOTE 17. VULNERABILITY - IMPACT OF COVID-19

The severity of the impact of COVID-19 on the Authority's operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Authority's tenants and borrowers, all of which are uncertain and cannot be predicted. The Authority's future results could be adversely impacted by delays in rent and loan payment collections. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.

Since the onset of the COVID-19 pandemic, the Authority has been working closely with a local social service agency called Blue Mountain Action Council ("BMAC"). BMAC received federal funding, and tenants that qualify can receive monies to help pay unpaid rent. The Authority and BMAC are using the resources available and working together to assist tenants to minimize its accounts receivable.

NOTE 18. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Subsequent events have been evaluated through September 28, 2022, which is the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**INDEPENDENT AUDITORS' 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***

To the Board of Directors
Housing Authority of the City of Walla Walla:

We have audited, in accordance with the 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 business type activities (primary government) and the aggregate discretely presented component units of the Housing Authority of the City of Walla Walla (the "Authority") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated September 28, 2022.

Our report includes a reference to other auditors who audited the financial statements of eight of the Authority's discretely presented component units: Emerald Family Properties LLLP, WWHA - Lariat Housing LLLP, WWHA - Galbraith Gardens LLC, Walla Walla Family Homes LLC, Walla Walla Family Homes Two LLC, and Senior Housing Properties LLLP as described in our report on the Authority's financial statements. This report includes the results of the other auditors' testing of internal control over financial reporting and compliance and other matters for Emerald Family Properties LLLP, WWHA - Lariat Housing LLLP, WWHA - Galbraith Gardens LLC, Walla Walla Family Homes LLC, Walla Walla Family Homes Two LLC, and Senior Housing Properties LLLP as these audits were also audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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.

Internal Control Over Financial Reporting (continued)

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 Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogradac & Company LLP

September 28, 2022
Toms River, New Jersey

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Housing Authority of the City of Walla Walla:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Housing Authority of the City of Walla Walla's (the "Authority") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2021. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Qualified Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above

Basis for Qualified Opinion on Each Major Federal Program (continued)

Matter Giving Rise to Qualified Opinion on Each Major Federal Program

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements of the Uniform Guidance regarding eligibility and the maintenance of tenant file items, as described in finding number 2021-001. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Novogradac & Company LLP

September 28, 2022
Toms River, New Jersey

SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Pass- through Expenditures</u>	<u>Direct Award Expenditures</u>	<u>Total Expenditures</u>
Department of Housing and Urban Development: Pass-Through Programs From:					
Washington State Department of Commerce: Home Investment Partnership Program	14.239	19-42401-113	\$ 234,668	\$ -	\$ 234,668
Subtotal Department of Housing and Urban Development: Pass-Through Programs			234,668	-	234,668
U.S. Department of Housing and Urban Development: Direct Programs					
Housing Voucher Cluster					
Section 8 Housing Choice Vouchers	14.871	WA057	-	6,661,303	6,661,303
Section 8 Housing Choice Vouchers CARES Act	14.HCC	WA057	-	828,779	828,779
Emergency Housing Vouchers	14.EHV	WA057	-	1,446	1,446
Total Housing Voucher Cluster			-	7,491,528	7,491,528
Subtotal United States Department of Housing and Urban Development: Direct Programs			-	7,491,528	7,491,528
U.S. Department of Veterans Affairs					
VA Homeless Providers Grant and Per Diem Program	64.024	250-0568-687-SI-18-0	-	258,864	258,864
Subtotal U.S. Department of Veterans Affairs			-	258,864	258,864
Total Expenditures of Federal Awards			\$ 234,668	\$ 7,750,392	\$ 7,985,060

See Notes to Schedule of Expenditures of Federal Awards.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended December 31, 2021. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The Authority has not elected to use the ten percent de minimus indirect cost rate allowed under the Uniform Guidance.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

I. Summary of Auditors' Results

Financial Statement Section

- | | | |
|----|---|---------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards Section

- | 1. | Internal Control over compliance: | | | | | | | | | |
|--------------------|--|--------------------|--------------------------------|--------|-----------------------------------|--------|---|--------|----------------------------|--|
| a. | Material weakness(es) identified? | Yes | | | | | | | | |
| b. | Significant deficiency(ies) identified? | None Reported | | | | | | | | |
| 2. | Type of auditors' report on compliance for major programs: | | | | | | | | | |
| | Section 8 Housing Choice Vouchers | Qualified | | | | | | | | |
| | Section 8 Housing Choice Vouchers CARES Act | Unmodified | | | | | | | | |
| | Emergency Housing Vouchers | Unmodified | | | | | | | | |
| 3. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes | | | | | | | | |
| 4. | Identification of major programs: | | | | | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <th style="text-align: left;"><u>CFDA Number</u></th> <th style="text-align: left;"><u>Name of Federal Program</u></th> </tr> <tr> <td>14.871</td> <td>Section 8 Housing Choice Vouchers</td> </tr> <tr> <td>14.HCC</td> <td>Section 8 Housing Choice Vouchers CARES Act</td> </tr> <tr> <td>14.EHV</td> <td>Emergency Housing Vouchers</td> </tr> </table> | <u>CFDA Number</u> | <u>Name of Federal Program</u> | 14.871 | Section 8 Housing Choice Vouchers | 14.HCC | Section 8 Housing Choice Vouchers CARES Act | 14.EHV | Emergency Housing Vouchers | |
| <u>CFDA Number</u> | <u>Name of Federal Program</u> | | | | | | | | | |
| 14.871 | Section 8 Housing Choice Vouchers | | | | | | | | | |
| 14.HCC | Section 8 Housing Choice Vouchers CARES Act | | | | | | | | | |
| 14.EHV | Emergency Housing Vouchers | | | | | | | | | |
| 5. | Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 | | | | | | | | |
| 6. | Auditee qualified as low-risk Auditee? | No | | | | | | | | |

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. Federal Award Findings and Questioned Costs

Finding 2021-001

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Titles: Section 8 Housing Choice Vouchers Program

Federal Catalog Numbers: 14.871

Noncompliance – N. Special Tests and Provisions – Housing Quality Standards

Non Compliance Material to the Financial Statements: Yes

Material Weakness in Internal Control over Compliance for Special Tests and Provisions

Criteria: Housing Quality Standards Inspections. The PHA must inspect the unit leased to a family at least annually to determine if the unit meets the Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405(b)). For units that fail inspection the PHA must correct all life threatening HQS deficiencies within 24 hours and all other deficiencies within 30 days. On May 4, 2021, HUD issued Notice PIH 2021-14(HA). In this notice, HUD recognized the unprecedented challenge the COVID-19 pandemic poses to PHAs in carrying out the most essential of their HCV program administrative responsibilities. The notice allowed for the Authority to rely on the owner's certification that the owner has no reasonable basis to have knowledge that life-threatening conditions exist in the unit or units in questions. At minimum, the PHA must require the owner's certification. However, the PHA may add other requirements or conditions in addition to the owner's certification, but is not required to do so. The PHA is required to conduct an HQS inspection on the unit as soon as reasonably possible but no later than June 30, 2022.

Condition: Based upon inspection of the Authority's files and on discussion with management there were no owner's certifications performed during the audit period. The Authority only performed initial and special inspections during the audit period.

Context: Of a sample size of twenty-three (23) tenant files, the following information was unavailable for examination at the time of audit:

- Owner's certification documentation was missing in eight (8) files

Our sample size is statistically valid.

Known Questioned Costs: \$48,496

Cause: There is a material weakness in internal controls over the compliance for the special tests and provisions type of compliance related to HQS inspections. The Authority has not properly considered, designed, implemented, maintained and monitored a system of internal controls that assures the program is in compliance with Notice PIH 2021-14(HA).

Effect: The Section 8 Housing Choice Vouchers Program is in material non-compliance with the with the special tests and provisions type of compliance related to HQS inspections.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

III. Federal Award Findings and Questioned Costs (continued)

Finding 2021-001 (continued)

Recommendation: We recommend the Authority design and implement internal control procedures that will reasonably assure compliance with the Uniform Guidance, the compliance supplement, and all PIH notices.

Views of responsible officials and planned corrective action: Management unintentionally did not request owner's certifications during the audit period as required by Notice PIH 2021-14(HA).

The Authority has recognized the deficiencies in the Section 8 Housing Choice Vouchers Program and will implement internal control procedures that will ensure compliance of federal regulations, including PIH notices. The Authority has since complied with Notice PIH 2021-14(HA), and has met the June 30, 2022 deadline to have all annual inspections completed.

IV. Schedule of Prior Year Federal Audit Findings

There were no findings or questioned costs in the prior year.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
REQUIRED PENSION INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 1, 2, AND 3
LAST 10 FISCAL YEARS*

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
PERS #1					
Employer's proportion of the net pension liability (asset)	.009752%	0.010141%	0.010077%	0.009807%	0.010847%
Employer's proportionate share of the net pension liability (asset)	119,095	358,032	387,497	437,984	514,699
Covered payroll*	1,271,456	1,228,548	1,434,857	1,401,163	1,373,838
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	9.37 %	29.14 %	27.01 %	31.26 %	37.46 %
Plan fiduciary net position as a percentage of the total pension liability	88.74 %	68.65 %	67.13 %	63.23 %	61.25 %
PERS #2/3					
Employer's proportion of the net pension liability (asset)	0.012528%	0.013149%	0.013020%	0.012586%	0.013952%
Employer's proportionate share of the net pension liability (asset)	(1,247,990)	168,168	126,468	214,895	484,765
Covered payroll*	1,271,456	1,228,548	1,434,857	1,401,163	1,373,838
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(98.15)%	13.69 %	8.81 %	15.34 %	35.29 %
Plan fiduciary net position as a percentage of the total pension liability	120.29 %	97.22 %	97.77 %	95.77 %	90.97 %

* Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
REQUIRED PENSION INFORMATION (continued)
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 1, 2, AND 3
LAST 10 FISCAL YEARS*

PERS #1

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Employer's proportion of the net pension liability (asset)	0.010926%	0.011140%	0.010329%	0.009738%
Employer's proportionate share of the net pension liability (asset)	586,778	582,726	520,328	569,016
Covered payroll*	1,315,745	1,338,710	1,189,106	1,139,063
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	44.60 %	43.53 %	43.76 %	49.95 %
Plan fiduciary net position as a percentage of the total pension liability	57.03 %	59.11 %	61.19 %	Unknown
	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013

PERS #2/3

Employer's proportion of the net pension liability (asset)	0.013999%	0.014388%	0.013298%	0.012969%
Employer's proportionate share of the net pension liability (asset)	704,839	514,091	268,801	553,778
Covered payroll*	1,315,745	1,338,710	1,189,106	1,139,063
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	53.57 %	38.40 %	22.61 %	48.62 %
Plan fiduciary net position as a percentage of the total pension liability	85.83 %	89.20 %	93.29 %	Unknown

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* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
REQUIRED PENSION INFORMATION (continued)
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 1, 2, AND 3
LAST 10 FISCAL YEARS*

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
PERS #1					
Statutorily or contractually required contributions	72,641	94,202	60,576	70,882	67,131
Contributions in relation to the statutorily or contractually required contributions*	<u>(72,641)</u>	<u>(94,202)</u>	<u>(60,576)</u>	<u>(70,882)</u>	<u>(67,131)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll*	1,271,456	1,228,548	1,434,857	1,401,163	1,373,838
Contributions as a percentage of covered payroll	5.71 %	7.67 %	4.22 %	5.06 %	4.89 %

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
PERS #2/3					
Statutorily or contractually required contributions	118,671	97,301	110,591	105,066	93,342
Contributions in relation to the statutorily or contractually required contributions*	<u>(118,671)</u>	<u>(97,301)</u>	<u>(110,591)</u>	<u>(105,066)</u>	<u>(93,342)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll*	1,271,456	1,228,548	1,434,857	1,401,163	1,373,838
Contributions as a percentage of covered payroll	9.33 %	7.92 %	7.71 %	7.50 %	6.79 %

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* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)

* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8)

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
REQUIRED PENSION INFORMATION (continued)
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 1, 2, AND 3
LAST 10 FISCAL YEARS*

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
PERS #1				
Statutorily or contractually required contributions	62,761	58,188	47,971	36,622
Contributions in relation to the statutorily or contractually required contributions*	<u>(62,761)</u>	<u>(58,188)</u>	<u>(47,971)</u>	<u>(36,622)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll*	1,315,745	1,338,710	1,189,106	1,139,063
Contributions as a percentage of covered payroll	4.77 %	4.35 %	4.03 %	3.22 %

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
PERS #2/3				
Statutorily or contractually required contributions	81,971	74,569	59,406	54,684
Contributions in relation to the statutorily or contractually required contributions*	<u>(81,971)</u>	<u>(74,569)</u>	<u>(59,406)</u>	<u>(54,684)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll*	1,315,745	1,338,710	1,189,106	1,139,063
Contributions as a percentage of covered payroll	6.23 %	5.57 %	5.00 %	4.80 %

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* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)

* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8)

City of Walla Walla Housing Authority													
W/A057 Financial Data Schedule (FDS)													
December 31, 2021													
Line Item #	Account Description	14.228 Community Development Block Grants/ State's Program	14.871 Housing Choice Vouchers	14.HCC Housing Choice Vouchers CARES Act	6.1 Component Unit- Discretely Presented	6.2 Component Unit- Blended	64.024 VA Homeless Providers Grant & Per Diem Program	14.239 HOME Investment Partnerships Program	14.EHV Emergency Housing Voucher	2 State/Local	1 Business Activities	ELIM	TOTAL
LIABILITIES AND FUND EQUITY													
LIABILITIES													
Current Liabilities													
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable - 90 days	-	(290)	-	474,259	-	17,209	-	-	21,175	28,652	-	527,105
313	Accounts payable - > 90 days past due	-	-	-	-	-	-	-	-	-	-	-	-
321	Accrued wage payroll taxes payable	-	-	-	-	-	-	-	-	-	21,923	-	21,923
322	Accrued compensated absences - current portfolio	-	-	-	-	-	-	-	-	-	144,135	-	144,135
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	308,996	-	249	-	-	44,033	12,266	-	425,544
331	Accounts payable - DPHL program	-	-	-	-	-	-	-	-	-	-	-	-
332	Accounts payable - PHA project	-	-	-	-	-	-	-	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposit	-	-	-	121,400	-	-	-	-	19,794	300	-	141,494
342	Unearned revenue	6,000	94	-	16,414	-	1,500	-	26,250	13,169	1,500	-	61,436
343	Unearned revenue - capital projects	-	-	-	101,809	-	9,372	-	-	163,889	38,079	-	375,169
344	Current portion of L-T debt - operating borrowing	-	-	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	-	917	-	254,661	-	36,320	-	-	24	1,483	-	297,405
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-
347	Accrued liabilities - other	19,378	-	-	-	-	76	24,534	1,500	1,147	1,147	(120,702)	-
310	TOTAL CURRENT LIABILITIES	25,918	721	-	1,449,537	296	140,550	23,658	26,250	244,007	248,924	(120,702)	2,018,253
NON-CURRENT LIABILITIES													
348	Loan Liability - Current	-	-	-	-	-	-	-	-	-	-	-	-
351	Long-term debt, net of current - capital projects	-	-	-	39,554,237	-	57,084	-	-	5,133,661	1,070,734	-	45,815,716
352	Long-term debt, net of current - operating borrowing	-	-	-	-	-	-	-	-	-	-	-	-
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-
354	Accrued compensated absences - noncurrent	-	-	-	95,400	-	-	-	-	-	-	-	95,400
355	Loan Liability - Non-Current	-	-	-	-	-	-	-	-	-	-	-	-
356	FASB 5 Liability	-	-	-	-	-	-	-	-	-	-	-	-
357	Other non-current liabilities	-	-	-	-	-	-	-	-	-	-	-	-
350	TOTAL NON-CURRENT LIABILITIES	25,918	721	-	39,649,637	296	57,084	-	-	5,133,661	1,070,734	-	45,911,116
300	TOTAL LIABILITIES	25,918	721	-	41,099,174	296	107,634	23,634	26,250	5,377,668	1,318,776	(120,702)	47,949,369
DEFERRED INFLOW OF RESOURCES													
400	DEFERRED INFLOW OF RESOURCES	1,282	28,196	-	-	-	8,797	12,829	-	150,518	858,727	-	1,313,349
EQUITY													
508.1	Net Investment in Capital Asset	239,623	43,223	-	16,092,064	-	602,205	-	-	(949,385)	1,855,977	-	17,885,707
512.1	Restricted Net Position	-	318,111	-	2,567,343	-	-	-	41,078	221,180	355,548	-	3,414,360
512.2	Unrestricted Net Position	(18,884)	1,233,907	-	425,313	(296)	(16,343)	(12,702)	10,913	570,568	15,860,796	-	18,063,072
513	TOTAL EQUITY	247,939	1,595,241	-	19,084,720	(296)	585,862	(12,702)	51,991	(157,857)	17,983,421	-	39,361,159
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	\$ 247,939	\$ 1,877,458	\$ -	\$ 60,183,894	\$ -	\$ 792,293	\$ 33,761	\$ 78,241	\$ 5,370,349	\$ 20,160,924	\$ (120,702)	\$ 88,623,857

City of Walla Walla Housing Authority													
WA057													
Financial Data Schedule (FDS)													
December 31, 2021													
Line Item #	Account Description	14.228 Community Development Block Grants/ State's Program	14.871 Housing Choice Vouchers	14.HCC Housing Choice Vouchers CARES Act	6.1 Component Unit- Discretely Presented	6.2 Component Unit- Blended	64.024 VA Homeless Providers Grant & Per Diem Program	14.239 HOME Investment Partnerships Program	14.EHV Emergency Housing Voucher	2 State/Local	1 Business Activities	ELIMINATION	TOTAL
	General expenses												
96100	Insurance premiums	-	-	-	-	-	-	-	-	-	-	-	-
96120	Liability insurance	807	5,561	-	102,730	17,447	2,554	331	-	15,590	28,499	-	173,919
96200	Other general expenses	-	-	-	-	-	-	-	-	-	-	-	-
96210	Compensated absences	-	29,106	-	38,224	-	220,035	863	-	-	(28,385)	-	259,643
96300	Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	13,687	-	-
96400	Bad debt - tenant rents	-	-	-	33,690	7,022	-	-	-	-	-	-	-
96500	Bad debt - other charges	-	-	-	-	-	-	-	-	-	-	-	-
96600	Bad debt - other	-	16,423	-	-	142	-	-	-	-	16,565	-	16,565
96700	Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
96710	Interest of mortgage (or bonds) payable	120	-	-	709,614	17,533	3,177	-	-	129,533	39,432	-	899,409
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-	-	-	-	-	-
96730	Amortization of bond issue cost	-	-	-	-	-	-	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-	-	-	-	-	-	-
	Total general expenses	927	51,090	-	884,258	42,144	225,766	1,194	-	153,290	48,417	-	1,407,086
96900	TOTAL OPERATING EXPENSES	11,016	508,019	386,689	3,026,628	313,527	267,203	12,267	719	551,771	1,597,291	-	6,675,130
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	13,462	6,703,367	442,090	804,374	95,389	1,463	226,177	52,718	348,801	3,719,317	-	12,407,058
97100	Extraordinary maintenance	-	-	-	-	-	-	-	-	-	-	-	-
97200	Casualty losses - non-capitalized	-	-	-	-	-	-	-	-	-	-	-	-
97300	Housing assistance payment	-	-	-	-	-	-	-	-	-	-	-	-
97350	HAP Portability - in	-	6,153,284	442,090	-	-	-	222,427	727	-	-	-	6,818,528
97400	Depreciation expense	17,358	-	-	1,902,568	205,856	49,882	-	-	201,347	142,824	-	2,519,835
97500	Fraud losses	-	-	-	-	-	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-	-	-	-	-
99000	TOTAL EXPENSES	28,374	6,661,303	828,779	4,929,196	519,383	317,085	234,694	1,446	753,118	1,740,115	-	16,013,493
	OTHER FINANCING SOURCES (USES)												
10010	Operating transfers in	-	-	-	-	-	-	-	-	-	-	-	-
10020	Operating transfers out	-	-	-	-	-	-	-	-	-	-	-	-
10030	Operating transfers from/to primary government	-	-	-	-	-	-	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-	-	-	-	-	-	-
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 program and project out	-	-	-	-	-	-	-	-	-	-	-	-
10100	TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	-	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(3,996)	550,083	-	(1,098,194)	(110,467)	(48,419)	3,750	51,991	147,454	3,576,493	-	3,068,695
	MEMO ACCOUNT INFORMATION:												
11020	Required annual debt principal payments	-	-	-	-	-	-	-	-	-	-	-	-
11030	Beginning equity	224,735	1,045,158	-	20,149,590	(296)	634,281	(6,452)	-	(495,291)	14,740,719	-	36,292,444
11040	Prior period adjustments and equity transfers	-	-	-	33,324	110,467	-	-	-	190,000	(333,791)	-	-
11170	Administrative fee equity	-	-	-	-	-	-	-	-	-	-	-	-
11180	Housing assistance payments equity	-	-	-	-	-	-	-	-	-	-	-	-
11190	Unit months available	-	13,008	1,079	5,528	600	288	351	90	1,038	24	-	21,806
11210	Number of unit months leased	-	12,181	1,021	5,181	572	168	351	1	974	24	-	20,473
	Equity Roll Forward Test:												
	Calculation from R/E Statement	\$ 220,739	\$ 1,595,241	\$ -	\$ 19,084,720	\$ (296)	\$ 585,862	\$ (2,702)	\$ 51,991	\$ (157,837)	\$ 17,983,421	\$ -	\$ 39,361,139
	B/S Line 513	\$ 220,739	\$ 1,595,241	\$ -	\$ 19,084,720	\$ (296)	\$ 585,862	\$ (2,702)	\$ 51,991	\$ (157,837)	\$ 17,983,421	\$ -	\$ 39,361,139
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -