



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

November 21, 2024

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

**Contracted CPA Firm's Audit Report on Financial Statements and  
Federal Single Audit**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of the City of Walla Walla Housing Authority for the fiscal year ended December 31, 2022. 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 or the City of Walla Walla Housing Authority's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

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

***Americans with Disabilities***

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**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

**WITH  
REPORT OF INDEPENDENT AUDITORS**

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
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**FOR THE YEAR ENDED DECEMBER 31, 2022**

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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, 2022, 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 December 31, 2022, 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, WWHA - Senior Housing Properties LLLP, WWHA - Evergreen Commons LLLP, and WWHA - Housing Preservation LLLP (the "Discretely Presented Component Units"). 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 audit 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 Matters (continued)***

### ***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 July 17, 2023 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.

A handwritten signature in blue ink that reads "Novogradac & Company LLP". The signature is written in a cursive, flowing style.

July 17, 2023  
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, 2022, 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, 2022 are \$27,974,819. 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 \$441,440.

Total liabilities of the Primary Government are \$6,693,374 at December 31, 2022. 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 \$479,825 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, 2022.

## Financial Analysis (continued)

### STATEMENT OF NET POSITION

	2022	2021	Variance	% Change
<b><u>ASSETS</u></b>				
Cash & Cash Equivalents	\$ 5,473,005	\$ 5,233,564	\$ 239,441	4.58%
Accounts Receivable	548,998	347,743	201,255	57.87%
Investments	260,890	260,556	334	0.13%
Other Current Assets	295,568	180,076	115,492	64.14%
<b>TOTAL CURRENT ASSETS</b>	<b>6,578,461</b>	<b>6,021,939</b>	<b>556,522</b>	<b>9.24%</b>
Capital Assets	7,873,488	8,264,462	(390,974)	-4.73%
Other Non-Current Assets	13,522,870	14,028,489	(505,619)	-3.60%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>21,396,358</b>	<b>22,292,951</b>	<b>(896,593)</b>	<b>-4.02%</b>
Deferred Outflows Related to Pensions	441,440	125,073	316,367	252.95%
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS</b>	<b>\$ 28,416,259</b>	<b>\$ 28,439,963</b>	<b>\$ (23,704)</b>	<b>-0.08%</b>
<b><u>LIABILITIES &amp; NET POSITION</u></b>				
Accounts Payable	\$ 51,070	\$ 47,846	\$ 3,224	6.74%
Other Current Liabilities	341,710	329,530	12,180	3.70%
Current Portion - Long Term Debt	224,122	211,340	12,782	6.05%
<b>TOTAL CURRENT LIABILITIES</b>	<b>616,902</b>	<b>588,716</b>	<b>28,186</b>	<b>4.79%</b>
Long Term Debt - Commercial	6,076,472	6,261,479	(185,007)	-2.95%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>6,076,472</b>	<b>6,261,479</b>	<b>(185,007)</b>	<b>-2.95%</b>
Deferred Inflows Related to Pensions	479,825	1,313,349	(833,524)	-63.47%
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS</b>	<b>7,173,199</b>	<b>8,163,544</b>	<b>(990,345)</b>	<b>-12.13%</b>
<b><u>NET POSITION</u></b>				
Unrestricted	18,894,440	17,637,759	1,256,681	7.12%
Restricted	775,726	847,017	(71,291)	-8.42%
Invested in Capital	1,572,894	1,791,643	(218,749)	-12.21%
<b>TOTAL NET POSITION</b>	<b>21,243,060</b>	<b>20,276,419</b>	<b>966,641</b>	<b>4.77%</b>
<b>TOTAL NET POSITION</b>	<b>21,243,060</b>	<b>20,276,419</b>	<b>966,641</b>	<b>4.77%</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 28,416,259</b>	<b>\$ 28,439,963</b>	<b>\$ (23,704)</b>	<b>-0.08%</b>

## Financial Analysis (continued)

### STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION

	2022	2021	Variance	% Change
<b><u>REVENUES</u></b>				
Tenant Income	\$ 851,628	\$ 1,306,383	\$ (454,755)	-34.81%
Other Income	1,931,710	2,586,556	(654,846)	-25.32%
<b>TOTAL OPERATING REVENUE</b>	<b>2,783,338</b>	<b>3,892,939</b>	<b>(1,109,601)</b>	<b>-28.50%</b>
Operating Subsidies & Other Grants	8,858,745	8,427,274	431,471	5.12%
Other Non-Operating Revenue	290,249	2,930,973	(2,640,724)	-90.10%
<b>TOTAL NON-OPERATING REVENUE</b>	<b>9,148,994</b>	<b>11,358,247</b>	<b>(2,209,253)</b>	<b>-19.45%</b>
<b>GROSS REVENUE</b>	<b>11,932,332</b>	<b>15,251,186</b>	<b>(3,318,854)</b>	<b>-21.76%</b>
<b><u>EXPENSES</u></b>				
Payroll & Related Expenses	2,209,734	2,100,971	108,763	5.18%
Other Rental Operations Expenses	1,503,965	1,975,003	(471,038)	-23.85%
<b>TOTAL OPERATING EXPENSES</b>	<b>3,713,699</b>	<b>4,075,974</b>	<b>(362,275)</b>	<b>-8.89%</b>
Payments from Operating Subsidies	7,606,112	6,818,528	787,584	11.55%
Other Non-Operating Expenses	147,556	189,795	(42,239)	-22.26%
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>7,753,668</b>	<b>7,008,323</b>	<b>745,345</b>	<b>10.64%</b>
<b>TOTAL EXPENSES</b>	<b>11,467,367</b>	<b>11,084,297</b>	<b>383,070</b>	<b>3.46%</b>
<b>CHANGE IN NET POSITION</b>	<b>464,965</b>	<b>4,166,889</b>	<b>(3,701,924)</b>	<b>-88.84%</b>
Equity Transfer to Discretely Presented Component Units	501,676	(33,324)	535,000	-100.00%
Net Position at January 1	20,276,419	16,142,854	4,133,565	25.61%
<b>NET POSITION AT DECEMBER 31</b>	<b>\$ 21,243,060</b>	<b>\$ 20,276,419</b>	<b>\$ 966,641</b>	<b>4.77%</b>

## **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 \$44,054 more than was received for current year vouchers. HCV and VASH were budgeted for a gain of \$84,324 in 2022 with a pro-ration of 89.20%. A COLA increase of 5.70% was budgeted for 2022 based on the September 2022 CPI. General Administrative expenses were over budget by \$140,797 and Maintenance expenses were over budget by \$27,233. 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.

### **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 \$9,342,662 as of December 31, 2022. 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 \$1,425,707 as of December 31, 2022. Payment of this loan is contingent upon cash flow and has been secured by a deed of trust on the property.

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 \$473,327 as of December 31, 2022.

### **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.

### **Economic Factors Affecting the Authority's Future (continued)**

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 84.87% as of June 2021 to 89.50% as of June 2022.

### **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, 2022**

ASSETS

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current assets:			
Cash and cash equivalents	\$ 5,450,924	\$ 1,016,709	\$ 6,467,633
Tenant security deposits	22,081	131,006	153,087
Investments	260,890	-	260,890
Accounts receivable, net	548,998	132,989	681,987
Accrued interest receivable	128,128	-	128,128
Prepaid expenses	107,699	448,614	556,313
Inventories, net	<u>59,741</u>	<u>-</u>	<u>59,741</u>
Total current assets	<u>6,578,461</u>	<u>1,729,318</u>	<u>8,307,779</u>
Non-current assets:			
Restricted cash	576,974	2,514,348	3,091,322
Restricted investments	28,172	-	28,172
Notes receivable, non-current	12,305,362	-	12,305,362
Pension asset	202,901	-	202,901
Other assets	409,461	360,981	770,442
Capital assets, net	<u>7,873,488</u>	<u>66,965,396</u>	<u>74,838,884</u>
Total non-current assets	<u>21,396,358</u>	<u>69,840,725</u>	<u>91,237,083</u>
Total assets	<u>27,974,819</u>	<u>71,570,043</u>	<u>99,544,862</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources	<u>441,440</u>	<u>-</u>	<u>441,440</u>
Total assets and deferred outflows of resources	<u>\$ 28,416,259</u>	<u>\$ 71,570,043</u>	<u>\$ 99,986,302</u>

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**STATEMENT OF NET POSITION (continued)**  
**AS OF DECEMBER 31, 2022**

**LIABILITIES**

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current liabilities:			
Accounts payable	\$ 51,070	\$ 285,264	\$ 336,334
Accrued expenses	18,707	-	18,707
Tenant security deposits	22,081	136,800	158,881
Unearned revenue	33,476	40,072	73,548
Accrued compensated absences, current	159,984	-	159,984
Loans payable, current	224,122	172,724	396,846
Accrued interest payable	67,233	531,883	599,116
Other current liabilities	<u>40,229</u>	<u>1,648,870</u>	<u>1,689,099</u>
Total current liabilities	<u>616,902</u>	<u>2,815,613</u>	<u>3,432,515</u>
Non-current liabilities:			
Loans payable, non-current	6,076,472	49,897,354	55,973,826
Other non-current liabilities	<u>-</u>	<u>2,109,218</u>	<u>2,109,218</u>
Total non-current liabilities	<u>6,076,472</u>	<u>52,006,572</u>	<u>58,083,044</u>
Total liabilities	<u>6,693,374</u>	<u>54,822,185</u>	<u>61,515,559</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources	<u>479,825</u>	<u>-</u>	<u>479,825</u>
Total deferred inflows of resources	<u>479,825</u>	<u>-</u>	<u>479,825</u>

**NET POSITION**

Net position:			
Net investment in capital assets	1,572,894	16,895,318	18,468,212
Restricted	775,726	2,514,348	3,290,074
Unrestricted	<u>18,894,440</u>	<u>(2,661,808)</u>	<u>16,232,632</u>
Total net position	<u>21,243,060</u>	<u>16,747,858</u>	<u>37,990,918</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 28,416,259</u>	<u>\$ 71,570,043</u>	<u>\$ 99,986,302</u>



**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Operating revenues:			
Tenant revenue	\$ 851,628	\$ 4,173,013	\$ 5,024,641
HUD operating grants	8,858,745		8,858,745
Fraud recovery revenue	11,831	-	11,831
Other revenues	<u>1,919,879</u>	<u>(732)</u>	<u>1,919,147</u>
Total operating revenues	<u>11,642,083</u>	<u>4,172,281</u>	<u>15,814,364</u>
Operating expenses:			
Administrative	1,729,568	964,505	2,694,073
Tenant services	2,830	2,348	5,178
Utilities	261,168	572,199	833,367
Ordinary repairs and maintenance	1,014,698	1,284,831	2,299,529
Insurance	76,357	227,011	303,368
General expenses	214,597	155,864	370,461
Housing assistance payments	7,606,112	-	7,606,112
Depreciation	<u>414,481</u>	<u>2,117,056</u>	<u>2,531,537</u>
Total operating expenses	<u>11,319,811</u>	<u>5,323,814</u>	<u>16,643,625</u>
Operating income (loss)	<u>322,272</u>	<u>(1,151,533)</u>	<u>(829,261)</u>
Non-operating revenues (expenses):			
Investment income	288,632	2,275	290,907
Interest expense	(147,556)	(1,117,578)	(1,265,134)
Gain on sale of fixed assets	<u>1,617</u>	<u>-</u>	<u>1,617</u>
Net non-operating revenues (expenses)	<u>142,693</u>	<u>(1,115,303)</u>	<u>(972,610)</u>
Income (loss) before special items	464,965	(2,266,836)	(1,801,871)
Special items - capital contributions	-	431,650	431,650
Transfers between primary government and discretely presented component units	<u>501,676</u>	<u>(501,676)</u>	<u>-</u>
Change in net position	966,641	(2,336,862)	(1,370,221)
Net position, beginning of year	<u>20,276,419</u>	<u>19,084,720</u>	<u>39,361,139</u>
Net position, end of year	<u>\$ 21,243,060</u>	<u>\$ 16,747,858</u>	<u>\$ 37,990,918</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, 2022**

	<u>Primary Government</u>
Cash Flows from Operating Activities:	
Cash received from tenants and others	\$ 2,567,629
Cash received from grantors	8,860,576
Cash paid to employees	(1,732,784)
Cash paid to vendors and suppliers	<u>(9,490,859)</u>
Net cash provided by operating activities	<u>204,562</u>
Cash Flows from Capital and Related Financing Activities:	
Principal payments of bonds/notes	(172,225)
Interest paid on long term debt	(136,871)
Purchase of capital assets	(24,590)
Proceeds from sale of capital assets	<u>2,700</u>
Net cash used in capital and related financing activities	<u>(330,986)</u>
Cash Flows from Investing Activities:	
Investment income	125
Capital contributions paid	(195,333)
Advances from affiliate	<u>501,676</u>
Net cash provided by investing activities	<u>306,468</u>
Net increase in cash, cash equivalents, and restricted cash	180,044
Cash, cash equivalents, and restricted cash, beginning of year	<u>5,869,935</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 6,049,979</u>
Reconciliation of cash, cash equivalents, and restricted cash to the Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 5,450,924
Tenant security deposits	22,081
Restricted cash	<u>576,974</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 6,049,979</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, 2022**

	<u>Primary Government</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 322,272
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	414,481
Bad debt expense	8,468
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable, net	(330,493)
Prepaid expenses	11,989
Inventory, net	(2,978)
Deferred outflows of resources	(316,367)
Accounts payable	3,224
Accrued expenses	(3,216)
Tenant security deposits liability	1,987
Unearned revenue	(14,610)
Accrued compensated absences	15,849
Other liabilities	1,485
Net pension asset	925,995
Deferred inflows of resources	<u>(833,524)</u>
Net cash provided by operating activities	\$ <u><u>204,562</u></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, 2022**

	Emerald Family Properties LLLP	WWHA - Lariat Housing LLLP	WWHA - Galbraith Gardens LLC	Walla Walla Family Homes LLC	Walla Walla Family Homes Two LLC	WWHA - Senior Housing Properties LLLP	WWHA - Evergreen Commons LLLP	WWHA - Housing Preservation LLLP	Totals
<b>ASSETS</b>									
Current assets:									
Cash and cash equivalents	\$ 156,745	\$ 39,349	\$ 151,903	\$ 34,766	\$ 39,716	\$ 197,570	\$ 2,508	\$ 394,152	\$ 1,016,709
Tenant security deposits	22,702	11,000	8,500	17,701	20,400	21,301	5,400	24,002	131,006
Accounts receivable, net	21,055	32,729	3,011	10,350	20,994	8,475	25,634	10,741	132,989
Prepaid expenses	43,784	19,684	16,089	35,778	43,039	48,350	-	241,890	448,614
Total current assets	244,286	102,762	179,503	98,595	124,149	275,696	33,542	670,785	1,729,318
Non-current assets:									
Restricted cash	745,745	195,776	272,936	432,042	429,979	392,181	-	45,689	2,514,348
Other assets	41,221	16,010	17,492	54,644	57,497	44,169	77,051	52,897	360,981
Capital assets, net	12,306,505	6,054,255	2,420,680	5,899,404	8,922,428	9,385,282	9,151,877	12,824,965	66,965,396
Total non-current assets	13,093,471	6,266,041	2,711,108	6,386,090	9,409,904	9,821,632	9,228,928	12,923,551	69,840,725
Total assets	\$ 13,337,757	\$ 6,368,803	\$ 2,890,611	\$ 6,484,685	\$ 9,534,053	\$ 10,097,328	\$ 9,262,470	\$ 13,594,336	\$ 71,570,043

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, 2022**

	Emerald Family Properties LLP	WWHA - Lariat Housing LLP	WWHA - Galbraith Gardens LLC	Walla Walla Family Homes LLC	Walla Walla Family Homes Two LLC	WWHA - Senior Housing Properties LLP	WWHA - Evergreen Commons LLP	WWHA - Housing Preservation LLP	Totals
<b>LIABILITIES</b>									
Current liabilities:									
Accounts payable	\$ 8,377	\$ 10,301	\$ 1,286	\$ 4,341	\$ 3,890	\$ 27,418	\$ 50,622	\$ 179,029	\$ 285,264
Tenant security deposits	23,000	11,400	8,800	17,700	20,400	21,900	8,700	24,900	136,800
Prepaid rent	7,110	2,174	4,766	4,126	6,087	6,523	206	9,080	40,072
Loans payable, current	47,877	39,431	20,880	-	14,347	50,189	-	-	172,724
Accrued interest payable	129,247	7,835	2,974	-	44,828	198,655	27,927	120,417	531,883
Other current liabilities	22,892	41,678	6,301	16,702	154,539	11,591	700,274	694,893	1,648,870
Total current liabilities	238,503	112,819	45,007	42,869	244,091	316,276	787,729	1,028,319	2,815,613
Non-current liabilities:									
Loans payable	11,192,162	5,453,679	3,351,978	2,759,241	1,934,405	7,718,013	6,931,662	10,556,214	49,897,354
Other non-current liabilities	-	-	-	-	67,000	-	727,474	1,314,744	2,109,218
Total non-current liabilities	11,192,162	5,453,679	3,351,978	2,759,241	2,001,405	7,718,013	7,659,136	11,870,958	52,006,572
Total liabilities	11,430,665	5,566,498	3,396,985	2,802,110	2,245,496	8,034,289	8,446,865	12,899,277	54,822,185
<b>NET POSITION</b>									
Net position:									
Net investment in capital assets	1,066,466	561,145	(952,178)	3,140,163	6,973,676	1,617,080	2,220,215	2,268,751	16,895,318
Restricted	745,745	195,776	272,936	432,042	429,979	392,181	-	45,689	2,514,348
Unrestricted (deficit)	94,881	45,384	172,868	110,370	(115,098)	53,778	(1,404,610)	(1,619,381)	(2,661,808)
Total net position	1,907,092	802,305	(506,374)	3,682,575	7,288,557	2,063,039	815,605	695,059	16,747,858
Total liabilities and net position	\$ 13,337,757	\$ 6,368,803	\$ 2,890,611	\$ 6,484,685	\$ 9,534,053	\$ 10,097,328	\$ 9,262,470	\$ 13,594,336	\$ 71,570,043

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, 2022**

	Emerald Family Properties LLP	WWHA - Lariat Housing LLP	WWHA - Galbraith Gardens LLC	Walla Walla Family Homes LLC	Walla Walla Family Homes Two LLC	WWHA - Senior Housing Properties LLP	WWHA - Evergreen Commons LLP	WWHA - Housing Preservation LLP	Totals
Operating revenues:									
Tenant revenue	\$ 752,124	\$ 466,040	\$ 331,790	\$ 442,748	\$ 555,464	\$ 701,037	\$ 24,714	\$ 899,096	\$ 4,173,013
Other revenues	-	-	-	(554)	10	(188)	-	-	(732)
Total operating revenues	<u>752,124</u>	<u>466,040</u>	<u>331,790</u>	<u>442,194</u>	<u>555,474</u>	<u>700,849</u>	<u>24,714</u>	<u>899,096</u>	<u>4,172,281</u>
Operating expenses:									
Administrative	141,664	71,598	60,391	91,218	116,832	119,041	42,515	321,246	964,505
Tenant services	15	-	320	804	-	804	-	405	2,348
Utilities	106,714	40,846	38,906	82,320	91,190	116,526	-	95,697	572,199
Ordinary repairs and maintenance	288,413	121,134	75,728	200,292	186,517	188,855	2,135	221,757	1,284,831
Insurance	36,711	13,990	13,453	31,113	37,487	41,589	16,882	35,786	227,011
General expenses	46,304	15,817	9,667	18,643	14,709	28,599	1,875	20,250	155,864
Depreciation	<u>345,477</u>	<u>200,827</u>	<u>163,294</u>	<u>389,353</u>	<u>488,858</u>	<u>288,433</u>	<u>26,353</u>	<u>214,461</u>	<u>2,117,056</u>
Total operating expenses	<u>965,298</u>	<u>464,212</u>	<u>361,759</u>	<u>813,743</u>	<u>935,593</u>	<u>783,847</u>	<u>89,760</u>	<u>909,602</u>	<u>5,323,814</u>
Operating income (loss)	<u>(213,174)</u>	<u>1,828</u>	<u>(29,969)</u>	<u>(371,549)</u>	<u>(380,119)</u>	<u>(82,998)</u>	<u>(65,046)</u>	<u>(10,506)</u>	<u>(1,151,533)</u>
Non-operating revenues (expenses):									
Investment income	116	161	533	453	819	83	-	120	2,275
Interest expense	<u>(342,621)</u>	<u>(140,068)</u>	<u>(40,126)</u>	<u>(25,544)</u>	<u>(54,666)</u>	<u>(200,857)</u>	<u>(29,659)</u>	<u>(284,037)</u>	<u>(1,117,578)</u>
Net non-operating revenues (expenses)	<u>(342,505)</u>	<u>(139,907)</u>	<u>(39,603)</u>	<u>(25,091)</u>	<u>(53,847)</u>	<u>(200,774)</u>	<u>(29,659)</u>	<u>(283,917)</u>	<u>(1,115,303)</u>
Special items - capital contributions	252,500	-	-	-	-	-	-	179,150	431,650
Transfers between primary government and discretely presented component units	-	-	-	-	-	-	-	(501,676)	(501,676)
Change in net position	<u>(303,179)</u>	<u>(138,079)</u>	<u>(69,572)</u>	<u>(396,640)</u>	<u>(433,966)</u>	<u>(283,772)</u>	<u>(94,705)</u>	<u>(616,949)</u>	<u>(2,336,862)</u>
Net position, beginning of year	<u>2,210,271</u>	<u>940,384</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>
Net position, end of year	<u>\$ 1,907,092</u>	<u>\$ 802,305</u>	<u>\$ (506,374)</u>	<u>\$ 3,682,575</u>	<u>\$ 7,288,557</u>	<u>\$ 2,063,039</u>	<u>\$ 815,605</u>	<u>\$ 695,959</u>	<u>\$ 16,747,858</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**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.

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.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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.

On January 1, 2022, the Authority adopted GASB 87, *Leases* ("GASB 87"). GASB 87 increases the transparency and comparability among governmental organizations by requiring the recognition of lease assets and lease liabilities on the statement of net position by lessees and the disclosure of key information about leasing arrangements. For the year ended December 31, 2022, the adoption of GASB 87 did not have a material effect on the financial statements of the Authority.

**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, 2022**

**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, 2022**

**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, WWHA-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 is 2029.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**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 756 housing vouchers in Walla Walla and Columbia Counties. The Authority's vouchers are designated for low-income individuals and families.

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.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Description of Programs (continued)**

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 225 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.

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.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Description of Programs (continued)**

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, 2022**

**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, 2022, the allowance for obsolete inventory totaled \$750.

**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.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Investment in Joint Ventures (continued)**

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, 2022.

**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.

**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, 2022 there were no impairment losses incurred.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

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.



**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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. Regulated Leases**

The Authority is a lessor of residential dwelling units under regulated leases as defined by GASB 87 and as such recognizes rental revenue in accordance with the terms of the lease contract. The leases which are twelve months in length are regulated as to rent, unit size, household composition and tenant income. For the year ended December 31, 2022, rental revenue earned under the aforementioned regulated leases totaled \$834,188 for the primary government and \$4,054,026 for the discretely presented component units.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Y. 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.

**Z. Taxes**

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

**AA. 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, 2022, 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 \$6,049,979, and the bank balances of the primary government approximated \$6,144,272.

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Unrestricted	\$ 5,450,924	\$ 1,016,709	\$ 6,467,633
Tenant security deposits	22,081	131,006	153,087
Restricted	<u>576,974</u>	<u>2,514,348</u>	<u>3,091,322</u>
Total cash and cash equivalents	<u>\$ 6,049,979</u>	<u>\$ 3,662,063</u>	<u>\$ 9,712,042</u>

Of the bank balances of the primary government, \$250,000 was covered by federal depository insurance and the remaining \$5,894,272 was collateralized with the pledging financial institutions as of December 31, 2022.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 2. CASH AND CASH EQUIVALENTS (continued)**

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, 2022, the Authority's bank balances were not exposed to custodial credit risk.

**NOTE 3. INVESTMENTS**

As of December 31, 2022, 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	\$ 192,896
Banner Bank #2	<u>67,994</u>
Total unrestricted investments	<u>\$ 260,890</u>
<u>Investment Type</u>	<u>Fair Value</u>
<u>Restricted:</u>	
Certificates of Deposit - Banner Bank #3:	<u>\$ 28,172</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, 2022:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Accounts receivable - tenants, net	\$ 26,299	\$ 122,521	\$ 148,820
Accounts receivable - other government	24,179	-	24,179
Accounts receivable - fraud recovery, net	30,637	-	30,637
Accounts receivable - miscellaneous	<u>467,883</u>	<u>10,468</u>	<u>478,351</u>
Total accounts receivable, net	<u>\$ 548,998</u>	<u>\$ 132,989</u>	<u>\$ 681,987</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. 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, 2022**

**NOTE 4. ACCOUNTS RECEIVABLE, NET (continued)**

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.

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 \$6,429.

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, 2022, restricted deposits consisted of the following:

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Housing assistance payment reserves	\$ 28,582	\$ -	\$ 28,582
Cafeteria plan escrows	4,149	-	4,149
Water and sewer system reserves	293,946	-	293,946
Reserve for replacement escrows	184,985	1,410,814	1,595,799
Operating reserves	65,312	1,084,400	1,149,712
DCR supplemental reserves	-	19,134	19,134
Tenant security deposits	<u>22,081</u>	<u>131,006</u>	<u>153,087</u>
Total restricted deposits	\$ <u>599,055</u>	\$ <u>2,645,354</u>	\$ <u>3,244,409</u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers and Emergency Housing Vouchers programs 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.

DCR supplemental reserves are funds used to maintain certain debt service ratios.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 5. RESTRICTED DEPOSITS (continued)**

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.

**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, 2022:

Description	December 31, 2021	Additions	Dispositions	Transfers	December 31, 2022
<u>Non-depreciable:</u>					
Land	\$ 1,788,054	\$ -	\$ -	\$ -	\$ 1,788,054
Construction in progress	<u>701</u>	<u>9,237</u>	<u>-</u>	<u>-</u>	<u>9,938</u>
Total	<u>1,788,755</u>	<u>9,237</u>	<u>-</u>	<u>-</u>	<u>1,797,992</u>
<u>Depreciable:</u>					
Buildings and improvements	9,751,430	5,234	-	-	9,756,664
Furniture and equipment	<u>552,186</u>	<u>10,119</u>	<u>(11,352)</u>	<u>-</u>	<u>550,953</u>
Total	<u>10,303,616</u>	<u>15,353</u>	<u>(11,352)</u>	<u>-</u>	<u>10,307,617</u>
Less: accumulated depreciation	<u>3,827,909</u>	<u>414,481</u>	<u>(10,269)</u>	<u>-</u>	<u>4,232,121</u>
Net capital assets	<u>\$ 8,264,462</u>	<u>\$ (389,891)</u>	<u>\$ (1,083)</u>	<u>\$ -</u>	<u>\$ 7,873,488</u>

Depreciation expense for the fiscal year ended December 31, 2022 amounted to \$414,481.

The following is a summary of the discretely presented component units' changes in capital assets during the year ended December 31, 2022:

Description	December 31, 2021	Additions	Dispositions	Transfers	December 31, 2022
<u>Non-depreciable:</u>					
Land	\$ 3,527,458	\$ 177,343	\$ -	\$ -	\$ 3,704,801
Construction in progress	<u>3,743,615</u>	<u>-</u>	<u>-</u>	<u>(3,743,615)</u>	<u>-</u>
Total	<u>7,271,073</u>	<u>177,343</u>	<u>-</u>	<u>(3,743,615)</u>	<u>3,704,801</u>
<u>Depreciable:</u>					
Buildings and improvements	61,776,658	12,813,300	-	3,743,615	78,333,573
Furniture and equipment	<u>1,217,927</u>	<u>283,699</u>	<u>(11,109)</u>	<u>-</u>	<u>1,490,517</u>
Total	<u>62,994,585</u>	<u>13,096,999</u>	<u>(11,109)</u>	<u>3,743,615</u>	<u>79,824,090</u>
Less: accumulated depreciation	<u>14,457,548</u>	<u>2,117,056</u>	<u>(11,109)</u>	<u>-</u>	<u>16,563,495</u>
Net capital assets	<u>\$ 55,808,110</u>	<u>\$ 11,157,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,965,396</u>

Depreciation expense for the fiscal year ended December 31, 2022 amounted to \$2,117,056.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 7. NOTES RECEIVABLE**

Outstanding notes receivable as of December 31, 2022 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. Included in the balance is accrued interest of \$934,657.	5,677,902
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 \$188,491.	1,667,746
On August 5, 2016, the Authority entered into a loan agreement with Emerald 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 \$216,424.	1,297,014
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 \$160,996.	1,425,707
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, 2022**

**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>\$ 12,305,362</u>

As of December 31, 2022, accrued interest on the aforementioned notes receivable amounted to \$1,628,696. \$128,128 is included in accrued interest, current and \$1,500,568 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, 2022:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Net pension asset	\$ 202,901	\$ -	\$ 202,901
Investment in joint ventures	409,461	-	409,461
Tax credit fees, net	<u>-</u>	<u>360,981</u>	<u>360,981</u>
Total other assets	<u>\$ 612,362</u>	<u>\$ 360,981</u>	<u>\$ 973,343</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, 2022**

**NOTE 9. NON-CURRENT LIABILITIES**

Non-current liabilities of the primary government as of December 31, 2022 consisted of the following:

Description	December 31, 2021	Additions	Payments	December 31, 2022	Amounts due within one Year
Compensated absences	\$ 144,135	\$ 15,849	\$ -	\$ 159,984	\$ 159,984
Loans payable	<u>6,472,819</u>	<u>-</u>	<u>(172,225)</u>	<u>6,300,594</u>	<u>224,122</u>
Total long-term liabilities	<u>\$ 6,616,954</u>	<u>\$ 15,849</u>	<u>\$ (172,225)</u>	<u>\$ 6,460,578</u>	<u>\$ 384,106</u>

Non-current liabilities of the discretely presented component units as of December 31, 2022 consisted of the following:

Description	December 31, 2021	Additions	Payments	December 31, 2022	Amounts due within one Year
Developer fee payable	\$ 95,400	\$ 2,042,218	\$ (28,400)	\$ 2,109,218	\$ -
Loans payable	<u>39,716,046</u>	<u>10,722,470</u>	<u>(368,438)</u>	<u>50,070,078</u>	<u>172,724</u>
Total long-term liabilities	<u>\$ 39,811,446</u>	<u>\$ 12,764,688</u>	<u>\$ (396,838)</u>	<u>\$ 52,179,296</u>	<u>\$ 172,724</u>

**NOTE 10. LOANS PAYABLE**

Loans payable of the primary government consisted of the following as of December 31, 2022:

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 loan 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.	473,327
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**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**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.	21,803
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.	35,281
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.	95,098
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.	1,234,741
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.	1,559,844
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	6,300,594
Less: current portion	<u>224,122</u>
Long-term debt, net of current portion	\$ <u><u>6,076,472</u></u>

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**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>
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	250,101	102,288	352,389
2028-2032	1,777,905	397,375	2,175,280
2033-2037	1,410,661	194,617	1,605,278
2038-2042	684,398	26,089	710,487
2043-2047	321,250	-	321,250
2048-2049	262,750	-	262,750
	<u>\$ 6,300,594</u>	<u>\$ 1,224,621</u>	<u>\$ 7,525,215</u>

Interest expense for the year ended December 31, 2022 totaled \$147,556.

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 \$1,007,050.	5,677,902
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 \$222,541.	1,667,746
On August 5, 2016, the Authority entered into a loan agreement with Emerald 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 \$232,961.	1,297,014

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 10. LOANS PAYABLE (continued)**

<u>Description</u>	<u>Amount</u>
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 \$166,144.	1,425,707
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>12,243,362</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.	\$ 2,759,241
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.	670,415
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.	1,278,337
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.	547,858

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 10. LOANS PAYABLE (continued)**

<u>Loans payable to other lenders:</u>	<u>Amount</u>
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.	1,897,377
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.	1,701,984
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.	3,791,126
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.	1,850,377
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 loan with the State of Washington Department of Commerce Housing Trust Fund for Marjorie Terrace, dated August 1, 2021, in the original amount of \$1,390,500; interest at 1.89% compounded annually; annual payments of interest contingent upon cash flow through July 31, 2037, when annual principal and interest payments of \$14,000 begin July 31, 2038, continuing through July 31, 2060; a balloon payment of \$2,534,347 will be due on July 31, 2061; collateralized by investment in real estate.	1,390,500

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 10. LOANS PAYABLE (continued)**

<u>Loans payable to other lenders:</u>	<u>Amount</u>
HOPR entered into a loan with the State of Washington Department of Commerce Housing Trust Fund for Belmont Apartments , dated August 1, 2021, in the original amount of \$350,430; interest at 1.89% compounded annually; annual payments of interest contingent upon cash flow through July 31, 2037, when annual principal and interest payments of \$6,004 begin July 31, 2038, continuing through July 31, 2060; a balloon payment of \$566,860 will be due on July 31, 2061; collateralized by investment in real estate.	350,430
HOPR entered into a loan with the State of Washington Department of Commerce Housing Preservation Program for Belmont Apartments, dated August 24, 2021, in the original amount of \$500,000; interest at 1.00% compounded annually; annual payment contingent upon cash flow until August 23, 2037, payments of principal and interest of \$5,000 begin on August 23, 2038, continuing through August 23, 2065; a balloon payment of \$620,153 will be due on August 23, 2066; collateralized by investment in real estate.	500,000
HOPR entered into a loan with the State of Washington Department of Commerce Housing Trust Fund for Rosehaven, dated August 1, 2021, in the original amount of \$803,625; interest at 1.89% compounded annually; annual payments of interest contingent upon cash flow through July 31, 2037, when annual principal and interest payments of \$8,500 begin July 31, 2038, continuing through July 31, 2060; a balloon payment of \$1,452,836 will be due on July 31, 2061; collateralized by investment in real estate.	803,625
HOPR entered into a construction loan with Banner Bank, in the original amount of up to \$7,000,000 pursuant to the funding agreement dated August 26, 2021. Bears interest at 2.75% calculated on a 365/360-day basis. Interest-only payments are due monthly. Loan balance is due at the earlier of the conversion to permanent financing or the mandatory conversion date of September 1, 2023.	6,367,666
Evergreen entered into a construction loan with Banner Bank, dated October 1, 2021, in the original amount of \$5,100,000, bears interest at 3% calculated based on a 365/360-day basis, interest only payments are due monthly until maturity, November 1, 2023, when principal and unpaid interest are due, collateralized by investment in real estate.	3,500,662
Evergreen entered into a loan with the State of Washington Department of Commerce, in the original amount of \$3,100,000, simple interest at 1%; principal and interest due at maturity, September 29, 2062, collateralized by investment in real estate.	<u>3,100,000</u>
Total long-term debt to other lenders	<u>37,826,716</u>
Total long-term debt	50,070,078
Less: current portion of long-term debt	<u>172,724</u>
Total long-term debt, net of current portion	<u>\$ 49,897,354</u>

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 10. LOANS PAYABLE (continued)**

Interest expense for the year ended December 31, 2022 totaled \$1,117,578.

**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 2022:

<u>Account Description</u>	<u>Primary Government</u>
Net pension asset	\$ <u>202,901</u>
Deferred inflow of resources	\$ <u>479,825</u>
Deferred outflow of resources	\$ <u>441,440</u>
Pension (benefit) expense	\$ <u>(167,511)</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](http://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.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 11. PENSION PLAN (continued)**

**Public Employees' Retirement System (PERS) (continued)**

Contributions

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.

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:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	6.00%
Administrative Fee	0.18%	
<b>Total</b>	<b>10.25%</b>	<b>12.00%</b>

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

The Authority's actual contributions to PERS Plan 1 were \$60,603 for the year ended December 31, 2022.

**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.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 11. PENSION PLAN (continued)**

**Public Employees' Retirement System (PERS) (continued)**

Contributions (continued)

**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.

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 2022 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January through June 2022	10.25%	6.36%
July through December 2022	10.39%	6.36%
Employee PERS Plan 3		varies

\* For employees participating in JBM, the contribution rate was 15.90%

The Authority's actual contributions to the PERS Plan 2/3 were \$103,595 for the year ended December 31, 2022.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the *2013-2018 Demographic Experience Study Report* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%



**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 11. PENSION PLAN (continued)**

**Actuarial Assumptions (continued)**

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.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% 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 7.00% 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 7.00% 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, 2022, are summarized in the table below. The inflation component used to create the table is 2.20% and represents the WSIB's most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	<b>100%</b>	

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 11. PENSION PLAN (continued)**

**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 7.00%, 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1	367,859	275,346	194,604
PERS 2/3	546,435	(478,247)	(1,333,873)

**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, 2022, the Authority reported a total pension liability (asset) of \$202,901 for its proportionate share of the net pension liabilities (assets) as follows:

<u>Plan</u>	<u>Liability / (Assets)</u>
PERS 1	\$ 275,346
PERS 2/3	<u>(478,247)</u>
Total	<u>\$ (202,901)</u>

At June 30, 2022, the Authority's proportionate share of the collective net pension liabilities was as follows:

	<u>Proportionate Share June 30, 2021</u>	<u>Proportionate Share June 30, 2022</u>	<u>Change in Proportion</u>
PERS 1	0.009752%	0.009889%	0.000137%
PERS 2/3	0.012528%	0.012895%	0.000367%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 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.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 11. PENSION PLAN (continued)**

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

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 2022. 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% of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% 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.

The collective net pension liability (asset) was measured as of June 30, 2022, and the actuarial valuation date on which the total pension liability (asset) is based was June 30, 2021, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense (Benefit)**

For the year ended December 31, 2022, the Authority recognized pension expense (benefit) as follows:

	Pension Expense (Benefit)
PERS 1	\$ (15,931)
PERS 2/3	<u>(151,580)</u>
Total	<u>\$ (167,511)</u>

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of <u>Resources</u>	Deferred Inflows <u>of Resources</u>
Net differences between projected and actual investment earnings on pension plan investments	\$ <u>-</u>	\$ <u>45,633</u>
Total PERS Plan 1	\$ <u>-</u>	\$ <u>45,633</u>

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 11. PENSION PLAN (continued)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (continued)**

PERS Plan 2/3	Deferred Outflows of <u>Resource</u>	Deferred Inflows <u>of Resources</u>
Changes of Assumptions	\$ 266,557	\$ 69,794
Differences between expected and actual experience	118,498	10,826
Net differences between projected and actual investment earnings on pension plan investments	-	353,572
Contributions subsequent to measurement date	<u>56,385</u>	<u>-</u>
Total PERS Plan 2/3	<u>441,440</u>	<u>434,192</u>
Total PERS Plans 1,2 and 3	<u>\$ 441,440</u>	<u>\$ 479,825</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>
2023	\$ (19,614)
2024	(19,614)
2025	(13,918)
2026	(19,476)
2027	(15,881)
Thereafter	<u>(6,267)</u>
	<u>\$ (94,770)</u>

**NOTE 12. RELATED PARTY TRANSACTIONS**

Emerald, Galbraith Gardens, Lariat, HOPR, Senior Housing, Evergreen Commons, 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, 2022:

Description	Partnership Admin Fee	Property Management Fee	Total
Emerald	\$ 5,681	\$ 47,832	\$ 53,513
Galbraith Gardens	8,719	26,052	34,771
Lariat	11,369	23,347	34,716
HOPR	7,500	70,449	77,949
Evergreen Commons	2,069	-	2,069
Senior Housing	-	46,550	46,550
Family Homes	10,000	30,810	40,810
Family Homes Two	<u>22,802</u>	<u>49,043</u>	<u>71,845</u>
Total	<u>\$ 68,140</u>	<u>\$ 294,083</u>	<u>\$ 362,223</u>

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 12. RELATED PARTY TRANSACTIONS (continued)**

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>
<b><u>Emerald</u></b>	
Year-end fees	\$ 22,418
Partnership fees	474
AHP Note	700,000
Seller loan, including accrued interest	5,750,295
Sponsor loan A, including accrued interest	1,701,796
Sponsor loan B, including accrued interest	<u>1,313,551</u>
	<u>\$ 9,488,534</u>
<b><u>Galbraith Gardens</u></b>	
Year-end fees	\$ 5,715
Partnership fees	<u>586</u>
	<u>\$ 6,301</u>
<b><u>Lariat</u></b>	
Year-end fees	\$ 1,599
Partnership fee	<u>40,079</u>
	<u>\$ 41,678</u>
<b><u>HOPR</u></b>	
Year-end fees	\$ 147,338
Partnership fee	625
Seller loan, including accrued interest	<u>1,143,993</u>
	<u>\$ 1,291,331</u>
<b><u>Evergreen</u></b>	
Year-end fees	\$ 63,793
Partnership fee	2,069
Seller loan, including accrued interest	<u>331,000</u>
	<u>\$ 396,862</u>
<b><u>Senior Housing</u></b>	
Year-end fees	\$ 11,591
Seller loan, including accrued interest	<u>1,430,855</u>
	<u>\$ 1,442,446</u>

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 12. RELATED PARTY TRANSACTIONS (continued)**

**Family Homes**

Year-end fees	\$ 1,667
Partnership fee	<u>8,863</u>
	<u>\$ 10,530</u>

**Family Homes Two**

Year-end fees	\$ 9,671
Partnership fee	<u>144,870</u>
	<u>\$ 154,541</u>

**NOTE 13. RESTRICTED NET POSITION**

Restricted net position consists of the following as of December 31, 2022:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Housing assistance payment reserves	\$ 28,582	\$ -	\$ 28,582
Operating and replacement reserves	250,297	2,495,214	2,745,511
DCR supplemental reserves	-	19,134	19,134
Water and sewer system reserves	293,946	-	293,946
Net pension asset	<u>202,901</u>	<u>-</u>	<u>202,901</u>
Total restricted net position	<u>\$ 775,726</u>	<u>\$ 2,514,348</u>	<u>\$ 3,290,074</u>

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

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

DCR supplemental reserves are restricted to maintain certain debt service ratios.

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

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.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 14. GAIN ON SALE**

During May of 2022, the Authority sold a vehicle. Details of the sale are noted below:

	<u>Amount</u>
Sale price	\$ 2,700
Assets sold: Capital assets, net	<u>(294)</u>
Gain on sale of property	\$ <u><u>2,406</u></u>

During May and August of 2022, the Authority disposed of two washer machines. Details of the disposals are noted below:

	<u>Amount</u>
Purchase price	\$ 7,429
Accumulated depreciation	<u>(6,640)</u>
Loss on disposal of property	\$ <u><u>789</u></u>

**NOTE 15. SPECIAL ITEMS**

Special items totaling \$431,650 in the discretely presented component units represent capital contributions made by partners of the various entities.

**NOTE 16. 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.

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.

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2022**

**NOTE 16. RISK MANAGEMENT (continued)**

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 2022. Claims have not exceeded insurance coverage in any of the last three years.

**NOTE 17. 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, 2022, 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, 2022**

**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 July 17, 2023, 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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated July 17, 2023.

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, Senior Housing Properties LLLP, WWHA - Evergreen Commons LLLP, and WWHA - Housing Preservation 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, WWHA - Evergreen Commons LLLP, and WWHA - Housing Preservation 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Novogradac & Company LLP*

July 17, 2023  
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, 2022. 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, 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, 2022.

***Basis for 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

***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***

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

***Report on Internal Control over Compliance (continued)***

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.

***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.

*Novogrodac & Company LLP*

July 17, 2023  
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, 2022**

<u>Federal Grantor/Program Title</u>	<u>Federal Assistance Listing 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	\$ 114,686	\$ -	\$ 114,686
Subtotal Department of Housing and Urban Development: Pass-Through Programs			114,686	-	114,686
U.S. Department of Housing and Urban Development: Direct Programs					
Housing Voucher Cluster					
Section 8 Housing Choice Vouchers	14.871	WA057	-	8,288,584	8,288,584
Emergency Housing Vouchers	14.EHV	WA057	-	127,515	127,515
Total Housing Voucher Cluster			-	8,416,099	8,416,099
Subtotal United States Department of Housing and Urban Development: Direct Programs			-	8,416,099	8,416,099
U.S. Department of Veterans Affairs					
VA Homeless Providers Grant and Per Diem Program	64.024	250-0568-687-SI-18-0	-	224,578	224,578
Subtotal U.S. Department of Veterans Affairs			-	224,578	224,578
Total Expenditures of Federal Awards			\$ 114,686	\$ 8,640,677	\$ 8,755,363

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, 2022**

**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, 2022. 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, 2022**

**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?  | No            |
| b. | Significant deficiency(ies) identified?  | None Reported |
| 2. | Type of auditors' report on compliance for major programs:   |               |
|    | Section 8 Housing Choice Vouchers  | Unmodified    |
|    | Emergency Housing Vouchers   | Unmodified    |
| 3. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No            |
| 4. | Identification of major programs:  |               |

**ALN**

**Name of Federal Program**

14.871	Section 8 Housing Choice Vouchers
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, 2022**

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

There were no findings or questioned costs relating to federal awards.

IV. Schedule of Prior Year Federal Audit Findings

**Finding 2021-001**

Observation: 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.

Status: The finding has been cleared.

**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, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
<b>PERS #1</b>					
Employer's proportion of the net pension liability (asset)	.009889%	.009752%	0.010141%	0.010077%	0.009807%
Employer's proportionate share of the net pension liability (asset)	275,346	119,095	358,032	387,497	437,984
Covered payroll*	1,364,747	1,271,456	1,228,548	1,434,857	1,401,163
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.18 %	9.37 %	29.14 %	27.01 %	31.26 %
Plan fiduciary net position as a percentage of the total pension liability	76.57 %	88.74 %	68.65 %	67.13 %	63.23 %
<b>PERS #2/3</b>					
Employer's proportion of the net pension liability (asset)	0.012528%	0.012528%	0.013149%	0.013020%	0.012586%
Employer's proportionate share of the net pension liability (asset)	(478,247)	(1,247,990)	168,168	126,468	214,895
Covered payroll*	1,364,747	1,271,456	1,228,548	1,434,857	1,401,163
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(35.04)%	(98.15)%	13.69 %	8.81 %	15.34 %
Plan fiduciary net position as a percentage of the total pension liability	106.73 %	120.29 %	97.22 %	97.77 %	95.77 %

\* 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\***

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
<b>PERS #1</b>					
Employer's proportion of the net pension liability (asset)	0.010847%	0.010926%	0.011140%	0.010329%	0.009738%
Employer's proportionate share of the net pension liability (asset)	514,699	586,778	582,726	520,328	569,016
Covered payroll*	1,373,838	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	37.46 %	44.60 %	43.53 %	43.76 %	49.95 %
Plan fiduciary net position as a percentage of the total pension liability	61.25 %	57.03 %	59.11 %	61.19 %	Unknown
<b>PERS #2/3</b>					
Employer's proportion of the net pension liability (asset)	0.013952%	0.013999%	0.014388%	0.013298%	0.012969%
Employer's proportionate share of the net pension liability (asset)	484,765	704,839	514,091	268,801	553,778
Covered payroll*	1,373,838	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	35.29 %	53.57 %	38.40 %	22.61 %	48.62 %
Plan fiduciary net position as a percentage of the total pension liability	90.97 %	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, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
<b>PERS #1</b>					
Statutorily or contractually required contributions	60,603	72,641	94,202	60,576	70,882
Contributions in relation to the statutorily or contractually required contributions*	<u>(60,603)</u>	<u>(72,641)</u>	<u>(94,202)</u>	<u>(60,576)</u>	<u>(70,882)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll*	1,364,747	1,271,456	1,228,548	1,434,857	1,401,163
Contributions as a percentage of covered payroll	4.44 %	5.71 %	7.67 %	4.22 %	5.06 %

	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
<b>PERS #2/3</b>					
Statutorily or contractually required contributions	103,595	118,671	97,301	110,591	105,066
Contributions in relation to the statutorily or contractually required contributions*	<u>(103,595)</u>	<u>(118,671)</u>	<u>(97,301)</u>	<u>(110,591)</u>	<u>(105,066)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll*	1,364,747	1,271,456	1,228,548	1,434,857	1,401,163
Contributions as a percentage of covered payroll	7.59 %	9.33 %	7.92 %	7.71 %	7.50 %

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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, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
<b>PERS #1</b>					
Statutorily or contractually required contributions	67,131	62,761	58,188	47,971	36,622
Contributions in relation to the statutorily or contractually required contributions*	<u>(67,131)</u>	<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>	<u>-</u>
Covered payroll*	1,373,838	1,315,745	1,338,710	1,189,106	1,139,063
Contributions as a percentage of covered payroll	4.89 %	4.77 %	4.35 %	4.03 %	3.22 %
<b>PERS #2/3</b>					
Statutorily or contractually required contributions	93,342	81,971	74,569	59,406	54,684
Contributions in relation to the statutorily or contractually required contributions*	<u>(93,342)</u>	<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>	<u>-</u>
Covered payroll*	1,373,838	1,315,745	1,338,710	1,189,106	1,139,063
Contributions as a percentage of covered payroll	6.79 %	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)

<b>City of Walla Walla Housing Authority</b>									
<b>WA057</b>									
Financial Data Schedule (FDS)									
December 31, 2022									
Line Item #	Account Description	14,218 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		
<b>ASSETS:</b>									
<b>CURRENT ASSETS:</b>									
Cash:									
111	Cash - unrestricted	\$ -	\$ 1,628,828	\$ -	\$ 1,016,709	\$ -	\$ 64,969		
112	Cash - restricted - modernization and development	-	-	-	2,495,214	-	-		
113	Cash - other restricted	-	26,335	-	-	-	-		
114	Cash - tenant security deposits	-	-	-	131,006	-	-		
115	Cash - restricted for payment of current liabilities	-	-	-	19,134	-	-		
100	Total cash	-	1,655,163	-	3,662,063	-	64,969		
Accounts and notes receivables:									
121	Accounts receivable - PHA projects	-	-	-	-	-	-		
122	Accounts receivable - HUD other projects	-	-	-	-	-	-		
124	Accounts receivable - other government	-	98	-	-	-	21,679		
125	Accounts receivable - miscellaneous	-	-	-	-	-	600		
126	Accounts receivable- tenants	-	850	-	10,468	-	-		
126.1	Allowance for doubtful accounts - tenants	-	-	-	123,061	-	-		
126.2	Allowance for doubtful accounts - other	-	-	-	(540)	-	-		
127	Notes and mortgages receivable- current	-	-	-	-	-	-		
128	Fraud recovery	-	31,766	-	-	-	-		
128.1	Allowance for doubtful accounts - fraud	-	(6,429)	-	-	-	-		
129	Accrued interest receivable	-	-	-	-	-	-		
120	Total receivables, net of allowances for doubtful accounts	-	26,285	-	132,989	-	22,279		
<b>Current investments</b>									
131	Investments - unrestricted	-	-	-	-	-	-		
132	Investments - restricted	-	-	-	-	-	28,172		
135	Investments - restricted for payment of current liability	-	-	-	-	-	-		
142	Prepaid expenses and other assets	1,184	35,611	-	448,614	-	5,245		
143	Inventories	-	-	-	-	-	-		
143.1	Allowance for obsolete inventories	-	-	-	-	-	-		
144	Interprogram - due from	-	-	-	-	-	-		
145	Assets held for sale	-	-	-	-	-	-		
150	TOTAL CURRENT ASSETS	1,184	1,717,059	-	4,243,666	-	120,665		
<b>NONCURRENT ASSETS:</b>									
Fixed assets:									
161	Land	-	-	-	-	-	-		
162	Buildings	35,241	-	-	3,704,801	-	62,500		
163	Furniture, equipment & machinery - dwellings	374,645	-	-	74,268,311	-	1,489,298		
164	Furniture, equipment & machinery - administration	4,595	-	-	1,343,230	-	28,915		
165	Leasehold improvements	-	43,223	-	147,287	-	-		
166	Accumulated depreciation	-	-	-	4,065,262	-	-		
167	Construction in Progress	(192,100)	(4,322)	-	(16,563,495)	-	(961,632)		
168	Infrastructure	-	-	-	-	-	-		
160	Total fixed assets, net of accumulated depreciation	222,381	38,901	-	66,965,396	-	619,081		
Other non-current assets:									
171	Notes and mortgages receivable - non-current	-	-	-	-	-	-		
172	Notes and mortgages receivable-non-current - past due	-	-	-	-	-	-		
174	Other assets	198	43,442	-	360,981	-	1,359		
175	Undistributed debits	-	-	-	-	-	-		
176	Investment in joint ventures	-	-	-	-	-	-		
180	TOTAL NONCURRENT ASSETS	222,579	82,343	-	67,326,377	-	620,440		
200	DEFERRED OUTFLOWS RESOURCES	430	94,515	-	-	-	2,957		
290	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 224,193	\$ 1,893,917	\$ -	\$ 71,570,043	\$ -	\$ 744,062		



City of Walla Walla Housing Authority							
WA057							
Financial Data Schedule (FDS)							
December 31, 2022							
Line Item #	Account Description	14,218 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
LIABILITIES AND EQUITY:							
Liabilities:							
(Current Liabilities:							
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable ≤ 90 days	-	(6,241)	-	285,264	-	19,383
313	Accounts payable > 90 days past due	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	-	-	-	-	-	-
322	Accrued compensated absences - current portion	-	-	-	-	-	-
324	Accrued contingency liability	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	531,883	-	214
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-
332	Accounts payable - PHA projects	-	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	-	-
341	Tenant security deposits	-	-	-	-	-	-
342	Unearned Revenue	-	214	-	136,800	-	-
343	Current portion of L-T debt - capital projects	-	-	-	40,072	-	600
344	Current portion of L-T debt - operating borrowings	-	-	-	172,724	-	9,802
345	Other current liabilities	-	-	-	-	-	-
346	Accrued liabilities - other	-	1,270	-	1,648,870	-	36,320
347	Interprogram - due to	4,305	-	-	-	296	103,071
310	TOTAL CURRENT LIABILITIES	4,305	(4,757)	-	2,815,613	296	169,390
NONCURRENT LIABILITIES:							
348	Loan Liability - Current	-	-	-	-	-	-
351	Long-term debt, net of current - capital projects	-	-	-	49,897,354	-	47,283
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-
353	Non-current liabilities- other	-	-	-	2,109,218	-	-
354	Accrued compensated absences - noncurrent	-	-	-	-	-	-
355	Loan Liability - Non Current	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-
357	Accrued pension and OPEB liabilities	-	-	-	-	-	-
350	TOTAL NONCURRENT LIABILITIES	-	-	-	52,006,572	-	47,283
300	TOTAL LIABILITIES	4,305	(4,757)	-	54,822,185	296	216,673
400	DEFERRED INFLOW OF RESOURCES	468	102,734	-	-	-	3,214
EQUITY:							
508.1	Net Investment in Capital Assets	222,381	38,901	-	16,895,318	-	561,996
511.1	Restricted Net Position	198	69,777	-	2,514,348	-	1,359
512.1	Unrestricted Net Position	(3,159)	1,687,262	-	(2,661,808)	(296)	(39,180)
513	TOTAL EQUITY	219,420	1,795,940	-	16,747,858	(296)	524,175
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	\$ 224,193	\$ 1,893,917	\$ -	\$ 71,570,043	\$ -	\$ 744,062

<b>City of Walla Walla Housing Authority</b>									
<b>WA057</b>									
Financial Data Schedule (FDS)									
December 31, 2022									
Line Item #	ASSETS:	Account Description	14,239 HOME Investment Partnerships Program	14.EHV Emergency Housing Voucher	2 State/Local	1 Business Activities	ELIM	TOTAL	
	CURRENT ASSETS:								
	Cash:								
111	Cash - unrestricted		\$ -	\$ 34,128	\$ 762,120	\$ 2,960,879	\$ -	\$ 6,467,633	
112	Cash - restricted - modernization and development		-	-	250,297	293,946	-	3,039,457	
113	Cash - other restricted		-	2,247	-	4,149	-	32,731	
114	Cash - tenant security deposits		-	-	21,781	300	-	153,087	
115	Cash - restricted for payment of current liabilities		-	-	-	-	-	19,154	
100	Total cash		-	36,375	1,034,198	3,259,274	-	9,712,042	
	Accounts and notes receivables:								
121	Accounts receivable - PHA projects		-	-	-	-	-	-	
122	Accounts receivable - HUD other projects		-	-	-	-	-	-	
124	Accounts receivable - other government		2,402	-	-	-	-	24,179	
125	Accounts receivable - miscellaneous		-	-	1,303	465,980	-	478,351	
126	Accounts receivable- tenants		-	-	25,877	(428)	-	149,360	
126.1	Allowance for doubtful accounts - tenants		-	-	-	-	-	(540)	
126.2	Allowance for doubtful accounts - other		-	-	-	-	-	-	
127	Notes and mortgages receivable- current		-	-	-	-	-	-	
128	Fraud recovery		-	-	-	5,300	-	37,066	
128.1	Allowance for doubtful accounts - fraud		-	-	-	-	-	(6,429)	
129	Accrued interest receivable		-	-	-	128,128	-	128,128	
120	Total receivables, net of allowances for doubtful accounts		2,402	-	27,180	598,980	-	810,115	
	Current investments								
131	Investments - unrestricted		-	-	-	260,890	-	260,890	
132	Investments - restricted		-	-	-	-	-	28,172	
135	Investments - restricted for payment of current liability		-	-	-	-	-	-	
142	Prepaid expenses and other assets		597	-	24,924	40,138	-	556,313	
143	Inventories		-	-	-	59,741	-	59,741	
143.1	Allowance for obsolete inventories		-	-	-	-	-	-	
144	Interprogram - due from		-	-	-	112,804	(112,804)	-	
145	Assets held for sale		-	-	-	-	-	-	
150	TOTAL CURRENT ASSETS		2,999	36,375	1,086,302	4,331,827	(112,804)	11,427,273	
	NONCURRENT ASSETS:								
	Fixed assets:								
161	Land		-	-	794,501	895,812	-	5,492,855	
162	Buildings		-	-	5,184,778	2,480,045	-	83,797,077	
163	Furniture, equipment & machinery - dwellings		-	-	75,901	3,339	-	1,455,980	
164	Furniture, equipment & machinery - administration		-	-	-	394,980	-	585,490	
165	Leasehold improvements		-	-	51,889	176,009	-	4,293,160	
166	Accumulated depreciation		-	-	(1,934,939)	(1,139,128)	-	(20,795,616)	
167	Construction in Progress		-	-	-	9,938	-	9,938	
168	Infrastructure		-	-	-	-	-	-	
160	Total fixed assets, net of accumulated depreciation		-	-	4,172,130	2,820,995	-	74,838,884	
	Other non-current assets:								
171	Notes and mortgages receivable - non-current		-	-	-	12,305,362	-	12,305,362	
172	Notes and mortgages receivable-non-current - past due		-	-	-	-	-	-	
174	Other assets		1,982	-	23,580	132,340	-	563,882	
175	Undistributed debts		-	-	-	-	-	-	
176	Investment in joint ventures		-	-	-	409,461	-	409,461	
180	TOTAL NONCURRENT ASSETS		1,982	-	4,195,710	15,668,158	-	88,117,589	
200	DEFERRED OUTFLOWS RESOURCES		4,311	-	47,026	292,201	-	441,440	
290	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		\$ 9,292	\$ 36,375	\$ 5,329,038	\$ 20,292,186	\$ (112,804)	\$ 99,986,302	

City of Walla Walla Housing Authority									
WA057									
Financial Data Schedule (FDS)									
December 31, 2022									
Line Item #	Account Description	14.239 HOME Investment Partnerships Program	14.EHV Emergency Housing Voucher	2 State/Local	1 Business Activities	ELJM	TOTAL		
LIABILITIES AND EQUITY:									
Liabilities:									
(Current Liabilities:									
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	-	-		
312	Accounts payable ≤ 90 days	-	-	3,653	34,275	-	336,334		
313	Accounts payable > 90 days past due	-	-	-	-	-	-		
321	Accrued wage/payroll taxes payable	-	-	-	18,707	-	18,707		
322	Accrued compensated absences - current portion	-	-	-	159,984	-	159,984		
324	Accrued contingency liability	-	-	-	-	-	-		
325	Accrued interest payable	-	-	50,641	16,378	-	599,116		
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-		
332	Accounts payable - PHA projects	-	-	-	-	-	-		
333	Accounts payable - other government	-	-	-	-	-	-		
341	Tenant security deposits	-	-	21,781	300	-	158,881		
342	Unearned Revenue	-	26,250	5,612	800	-	73,548		
343	Current portion of L-T debt - capital projects	-	-	174,587	39,733	-	396,846		
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-	-		
345	Other current liabilities	-	-	-	-	-	-		
346	Accrued liabilities - other	-	-	563	2,076	-	1,689,099		
347	Interprogram - due to	5,120	-	12	-	(112,804)	-		
310	TOTAL CURRENT LIABILITIES	5,120	26,250	256,849	272,253	(112,804)	3,432,515		
NONCURRENT LIABILITIES:									
348	Loan Liability - Current	-	-	-	-	-	-		
351	Long-term debt, net of current - capital projects	-	-	4,997,998	1,031,191	-	55,973,826		
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-		
353	Non-current liabilities- other	-	-	-	-	-	-		
354	Accrued compensated absences - noncurrent	-	-	-	-	-	-		
355	Loan Liability - Non Current	-	-	-	-	-	-		
356	FASB 5 Liabilities	-	-	-	-	-	-		
357	Accrued pension and OPEB liabilities	-	-	-	-	-	-		
350	TOTAL NONCURRENT LIABILITIES	-	-	4,997,998	1,031,191	-	58,083,044		
300	TOTAL LIABILITIES	5,120	26,250	5,254,847	1,303,444	(112,804)	61,515,559		
400	DEFERRED INFLOW OF RESOURCES	4,688	-	53,650	315,071	-	479,825		
EQUITY:									
508.1	Net Investment in Capital Assets	-	-	(1,000,455)	1,750,071	-	18,468,212		
511.1	Restricted Net Position	1,982	2,247	273,877	426,286	-	3,290,074		
512.1	Unrestricted Net Position	(2,498)	7,878	747,119	16,497,314	-	16,232,632		
513	TOTAL EQUITY	(516)	10,125	20,541	18,673,671	-	37,990,918		
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	\$ 9,292	\$ 36,375	\$ 5,329,038	\$ 20,292,186	\$ (112,804)	\$ 99,986,302		

City of Walla Walla Housing Authority									
WA057									
Financial Data Schedule (FDS)									
December 31, 2022									
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 Unl-Discretely Presented	6.2 Component Unl-Blended	64.024 VA Homeless Providers Grant & Per Diem Program		
	REVENUE:								
70300	Net tenant rental revenue	\$ 24,000	\$ -	\$ -	\$ 4,054,026	\$ -	\$ -	7,200	
70400	Tenant revenue - other	-	-	-	118,987	-	-	-	
70500	Total tenant revenue	24,000	-	-	4,173,013	-	-	7,200	
70600	HUD PHA grants	-	8,433,832	-	-	-	-	224,578	
70610	Capital grants	-	-	-	-	-	-	-	
70710	Management fee	-	-	-	-	-	-	-	
70720	Asset management fee	-	-	-	-	-	-	-	
70730	Book keeping fee	-	-	-	-	-	-	-	
70740	Front line service fee	-	-	-	-	-	-	-	
70750	Other fees	-	-	-	-	-	-	-	
70800	Other government grants	-	-	-	-	-	-	-	
71100	Investment income - unrestricted	-	-	-	479	-	-	-	
71200	Mortgage interest income	-	-	-	-	-	-	-	
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	
71301	Cost of sale of assets	-	-	-	-	-	-	-	
71400	Fraud recovery	-	11,831	-	-	-	-	-	
71500	Other revenue	218	47,942	-	(732)	-	-	1,499	
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-	-	
72000	Investment income - restricted	-	-	-	1,796	-	-	11	
70000	TOTAL REVENUE	24,218	8,493,605	-	4,174,556	-	-	233,288	
	EXPENSES:								
	Administrative								
91100	Administrative salaries	380	521,231	-	280,459	-	-	5,920	
91200	Auditing fees	43	21,945	-	44,759	-	-	-	
91300	Outside management fees	-	-	-	-	-	-	-	
91310	Book-keeping fee	-	-	-	-	-	-	-	
91400	Advertising and marketing	-	-	-	996	-	-	-	
91500	Employee benefit contributions- administrative	82	127,257	-	-	-	-	1,074	
91600	Office expenses	238	163,633	-	30,096	-	-	440	
91700	Legal expenses	-	1,669	-	27,176	-	-	-	
91800	Travel	-	338	-	-	-	-	-	
91810	Allocated overhead	-	-	-	-	-	-	-	
91900	Other	-	3,674	-	581,019	-	-	-	
	Total administrative	743	839,767	-	964,505	-	-	7,434	
92000	Asset Management Fee	-	-	-	-	-	-	-	
	Tenant services								
92100	Tenant services - salaries	-	-	-	-	-	-	-	
92200	Relocation costs	-	-	-	-	-	-	-	
92300	Employee benefit contributions- tenant services	-	-	-	-	-	-	-	
92400	Tenant services - other	-	-	-	2,348	-	-	-	
	Total tenant services	-	-	-	2,348	-	-	-	
	Utilities								
93100	Water	2,049	1,834	-	216,986	-	-	8,029	
93200	Electricity	7	3,801	-	57,291	-	-	-	
93300	Gas	755	1,523	-	5,854	-	-	-	
93400	Fuel	-	-	-	-	-	-	-	
93500	Labor	-	-	-	-	-	-	-	
93600	Sewer	1,759	1,899	-	292,068	-	-	7,101	
93700	Employee benefit contributions- utilities	-	-	-	-	-	-	-	
93800	Other utilities expense	-	-	-	-	-	-	-	
	Total utilities	4,570	9,057	-	572,199	-	-	15,130	

City of Walla Walla Housing Authority									
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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 Unl-Discretely Presented	6.2 Component Unl-Blended	64.024 VA Homeless Providers Grant & Per Diem Program		
	Ordinary maintenance & operation								
94100	Ordinary maintenance and operations - labor	570	-	-	715,148	-	-	2,935	
94200	Ordinary maintenance and operations - materials & other	122	44	-	113,046	-	-	1,898	
94300	Ordinary maintenance and operations - contract costs	1,072	2,864	-	456,637	-	-	18,015	
94500	Employee benefit contributions- ordinary maintenance	159	-	-	-	-	-	803	
	Total ordinary maintenance	1,923	2,908	-	1,284,831	-	-	23,651	
	Protective services								
95100	Protective services - labor	-	-	-	-	-	-	-	
95200	Protective services- other contract costs	-	-	-	-	-	-	-	
95300	Protective services - other	-	-	-	-	-	-	-	
95500	Employee benefit contributions- protective services	-	-	-	-	-	-	-	
	Total protective services	-	-	-	-	-	-	-	
	General expenses								
96100	Insurance premiums	-	-	-	-	-	-	-	
96110	Property insurance	1,059	9,355	-	227,011	-	-	4,489	
96120	Liability insurance	-	-	-	-	-	-	-	
96200	Other general expenses	-	36,534	-	88,398	-	-	190,887	
96210	Compensated absences	-	-	-	-	-	-	-	
96300	Payments in lieu of taxes	-	-	-	-	-	-	-	
96400	Bad debt - tenant rents	-	-	-	67,466	-	-	-	
96500	Bad debt- mortgages	-	-	-	-	-	-	-	
96600	Bad debt - other	-	1,437	-	-	-	-	-	
96700	Interest expense	-	-	-	-	-	-	-	
96710	Interest of mortgage (or bonds) payable	-	-	-	-	-	-	-	
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	1,117,578	-	-	2,764	
96730	Amortization of bond issue costs	-	-	-	-	-	-	-	
96800	Severance expense	-	-	-	-	-	-	-	
	Total general expenses	1,059	47,326	-	1,500,453	-	-	198,140	
96900	TOTAL OPERATING EXPENSES	8,295	899,058	-	4,324,336	-	-	244,355	
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	15,923	7,594,547	-	(149,780)	-	-	(11,067)	
97100	Extraordinary maintenance	-	-	-	-	-	-	-	
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-	
97300	Housing assistance payments	-	7,389,526	-	-	-	-	-	
97350	HAP Portability - in	-	-	-	-	-	-	-	
97400	Depreciation expense	17,242	4,322	-	2,117,056	-	-	30,620	
97500	Fraud losses	-	-	-	-	-	-	-	
97800	Dwelling units rent expense	-	-	-	-	-	-	-	
99000	TOTAL EXPENSES	25,537	8,292,906	-	6,441,392	-	-	294,975	
	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)	-	-	-	431,650	-	-	-	
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)	-	-	-	431,650	-	-	-	
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(13,19)	200,699	-	(1,835,186)	-	-	(61,687)	



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