



**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

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the City of Walla Walla Housing Authority for the fiscal year ended December 31, 2023. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2023

**WITH
REPORT OF INDEPENDENT AUDITORS**

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Contents</u>	<u>Page</u>
Report of Independent Auditors	1-3
Management's Discussion and Analysis	4-9
Financial Statements:	
Statement of Net Position	10-11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13-14
Discretely Presented Component Units:	
Combining Statement of Net Position	15-16
Combining Statement of Revenues, Expenses and Changes in Net Position	17
Notes to Financial Statements	18-51
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 <i>Government Auditing Standards</i>	52-53
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	54-56
Supplementary Information:	
Schedule of Expenditures of Federal Awards	57
Notes to Schedule of Expenditures of Federal Awards	58
Schedule of Findings and Questioned Costs	59-60
Required Pension Information	61-64
Financial Data Schedule	65-74

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***Opinions***

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, 2023, 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, 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, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 audits were 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 May 23, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Novogradac & Company LLP

May 23, 2024
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, 2023, 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 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, 2023 are \$29,305,137. 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 \$453,124.

Total liabilities of the Primary Government are \$6,115,319 at December 31, 2023. 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 \$303,224 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.

Financial Analysis (continued)

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, 2023.

<u>STATEMENT OF NET POSITION</u>	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>% Change</u>
<u>ASSETS</u>				
Cash & Cash Equivalents	\$ 5,714,382	\$ 5,473,005	\$ 241,377	4.41%
Accounts Receivable	443,309	548,998	(105,689)	-19.25%
Investments	261,405	260,890	515	0.20%
Other Current Assets	403,326	295,568	107,758	36.46%
TOTAL CURRENT ASSETS	6,822,422	6,578,461	243,961	3.71%
Capital Assets	7,542,306	7,873,488	(331,182)	-4.21%
Other Non-Current Assets	14,488,481	13,522,870	965,611	7.14%
TOTAL NON-CURRENT ASSETS	22,030,787	21,396,358	634,429	2.97%
Deferred Outflows Related to Pensions	453,124	441,440	11,684	2.65%
TOTAL ASSETS & DEFERRED OUTFLOWS	\$ 29,306,333	\$ 28,416,259	\$ 890,074	3.13%
<u>LIABILITIES & NET POSITION</u>				
Accounts Payable	\$ 79,389	\$ 51,070	\$ 28,319	55.45%
Other Current Liabilities	365,099	341,710	23,389	6.84%
Current Portion - Long Term Debt	1,651,247	224,122	1,427,125	636.76%
TOTAL CURRENT LIABILITIES	2,095,735	616,902	1,478,833	239.72%
Long Term Debt - Commercial	4,020,780	6,076,472	(2,055,692)	-33.83%
TOTAL NON-CURRENT LIABILITIES	4,020,780	6,076,472	(2,055,692)	-33.83%
Deferred Inflows Related to Pensions	303,224	479,825	(176,601)	-36.81%
TOTAL LIABILITIES & DEFERRED INFLOWS	6,419,739	7,173,199	(753,460)	-10.50%
<u>NET POSITION</u>				
Unrestricted	19,934,287	18,894,440	1,039,847	5.50%
Restricted	1,082,028	775,726	306,302	39.49%
Invested in Capital	1,870,279	1,572,894	297,385	18.91%
TOTAL NET POSITION	22,886,594	21,243,060	1,643,534	7.74%
TOTAL LIABILITIES & NET POSITION	\$ 29,306,333	\$ 28,416,259	\$ 890,074	3.13%

Financial Analysis (continued)

STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION

	2023	2022	Variance	% Change
<u>REVENUES</u>				
Tenant Income	\$ 1,035,286	\$ 851,628	\$ 183,658	21.57%
Other Income	2,889,770	1,707,814	1,181,956	69.21%
TOTAL OPERATING REVENUE	3,925,056	2,559,442	1,365,614	53.36%
Operating Subsidies & Other Grants	10,496,196	8,858,745	1,637,451	18.48%
Other Non-Operating Revenue	712,264	514,145	198,119	38.53%
TOTAL NON-OPERATING REVENUE	11,208,460	9,372,890	1,835,570	19.58%
GROSS REVENUE	15,133,516	11,932,332	3,201,184	26.83%
<u>EXPENSES</u>				
Payroll & Related Expenses	2,765,446	2,209,734	555,712	25.15%
Other Rental Operations Expenses	1,651,305	1,503,965	147,340	9.80%
TOTAL OPERATING EXPENSES	4,416,751	3,713,699	703,052	18.93%
Payments from Operating Subsidies	8,932,291	7,606,112	1,326,179	17.44%
Other Non-Operating Expenses	140,940	147,556	(6,616)	-4.48%
TOTAL NON-OPERATING EXPENSES	9,073,231	7,753,668	1,319,563	17.02%
TOTAL EXPENSES	13,489,982	11,467,367	2,022,615	17.64%
CHANGE IN NET POSITION	1,643,534	464,965	1,178,569	253.47%
Equity Transfer to Discretely Presented Component Units	-	501,676	(501,676)	-100.00%
Net Position at January 1	21,243,060	20,276,419	966,641	4.77%
NET POSITION AT DECEMBER 31	\$ 22,886,594	\$ 21,243,060	\$ 1,643,534	7.74%

Overall Financial Position and Results of Operations

The Authority's financial position is sound; the fundamental activities of housing and voucher administration are 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 \$55,682 less than was received for current year vouchers. HCV and VASH were budgeted for a gain of \$129,576 in 2023 with a pro-ration of 89.20%. A COLA increase of 8% was budgeted for 2023 based on the September 2023 CPI. General Administrative expenses were over budget by \$87,276 and Maintenance expenses were over budget by \$6,643. 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

In FY 2023, the Authority acquired capital assets in the amount of \$67,004, which was offset by annual depreciation expense in the amount of \$398,186. The FY 2023 capital asset activity resulted in a decrease in the amount of \$331,182.

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 \$9,605,544 as of December 31, 2023. 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 \$1,455,629 as of December 31, 2023. 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 of \$473,327 was paid off during the year ended December 31, 2023.

Economic Factors Affecting the Authority's Future

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

The Authority is also challenged in its core activity of administering HUD-funded vouchers. HUD provides both Housing Assistance Payments ("HAP") and Administrative Fees. Appropriations for administrative funds stayed consistent from 89.50% as of June 2022 and 2023.

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, 2023

ASSETS

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current assets:			
Cash and cash equivalents	\$ 5,692,638	\$ 1,646,868	\$ 7,339,506
Tenant security deposits	21,744	138,200	159,944
Investments	261,405	-	261,405
Accounts receivable, net	443,309	89,721	533,030
Accrued interest receivable	224,449	-	224,449
Prepaid expenses	136,312	329,645	465,957
Inventories, net	<u>42,565</u>	<u>-</u>	<u>42,565</u>
Total current assets	<u>6,822,422</u>	<u>2,204,434</u>	<u>9,026,856</u>
Non-current assets:			
Restricted cash	727,859	3,270,497	3,998,356
Restricted investments	28,208	-	28,208
Notes receivable, non-current	12,514,377	-	12,514,377
Pension asset	325,961	-	325,961
Other assets	892,076	361,193	1,253,269
Capital assets, net	<u>7,542,306</u>	<u>64,774,085</u>	<u>72,316,391</u>
Total non-current assets	<u>22,030,787</u>	<u>68,405,775</u>	<u>90,436,562</u>
Total assets	<u>28,853,209</u>	<u>70,610,209</u>	<u>99,463,418</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources	<u>453,124</u>	<u>-</u>	<u>453,124</u>
Total assets and deferred outflows of resources	<u>\$ 29,306,333</u>	<u>\$ 70,610,209</u>	<u>\$ 99,916,542</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
STATEMENT OF NET POSITION (continued)
AS OF DECEMBER 31, 2023

LIABILITIES

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current liabilities:			
Accounts payable	\$ 79,389	\$ 91,642	\$ 171,031
Accrued expenses	4,935	-	4,935
Tenant security deposits	22,144	138,200	160,344
Unearned revenue	11,272	50,909	62,181
Accrued compensated absences, current	211,832	-	211,832
Loans payable, current	1,651,247	242,914	1,894,161
Accrued interest payable	77,340	772,591	849,931
Other current liabilities	<u>37,576</u>	<u>308,537</u>	<u>346,113</u>
Total current liabilities	<u>2,095,735</u>	<u>1,604,793</u>	<u>3,700,528</u>
Non-current liabilities:			
Loans payable, non-current	4,020,780	43,787,149	47,807,929
Other non-current liabilities	<u>-</u>	<u>1,066,137</u>	<u>1,066,137</u>
Total non-current liabilities	<u>4,020,780</u>	<u>44,853,286</u>	<u>48,874,066</u>
Total liabilities	<u>6,116,515</u>	<u>46,458,079</u>	<u>52,574,594</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources	<u>303,224</u>	<u>-</u>	<u>303,224</u>
Total deferred inflows of resources	<u>303,224</u>	<u>-</u>	<u>303,224</u>

NET POSITION

Net position:			
Net investment in capital assets	1,870,279	20,744,022	22,614,301
Restricted	1,082,028	3,270,497	4,352,525
Unrestricted	<u>19,934,287</u>	<u>137,611</u>	<u>20,071,898</u>
Total net position	<u>22,886,594</u>	<u>24,152,130</u>	<u>47,038,724</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 29,306,333</u>	<u>\$ 70,610,209</u>	<u>\$ 99,916,542</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Operating revenues:			
Tenant revenue	\$ 1,035,286	\$ 4,940,562	\$ 5,975,848
HUD operating grants	10,496,196	-	10,496,196
Fraud recovery revenue	86,896	-	86,896
Other revenues	<u>2,802,874</u>	<u>-</u>	<u>2,802,874</u>
Total operating revenues	<u>14,421,252</u>	<u>4,940,562</u>	<u>19,361,814</u>
Operating expenses:			
Administrative	2,065,830	938,556	3,004,386
Tenant services	29,534	4,405	33,939
Utilities	273,079	622,863	895,942
Ordinary repairs and maintenance	1,313,216	1,679,471	2,992,687
Insurance	69,036	255,832	324,868
General expenses	267,870	147,659	415,529
Housing assistance payments	8,932,291	-	8,932,291
Depreciation	<u>398,186</u>	<u>2,540,839</u>	<u>2,939,025</u>
Total operating expenses	<u>13,349,042</u>	<u>6,189,625</u>	<u>19,538,667</u>
Operating income (loss)	<u>1,072,210</u>	<u>(1,249,063)</u>	<u>(176,853)</u>
Non-operating revenues (expenses):			
Investment income	400,919	23,784	424,703
Interest expense	(140,940)	(1,285,026)	(1,425,966)
Actuarial change in pension benefits	<u>311,345</u>	<u>-</u>	<u>311,345</u>
Net non-operating revenues (expenses)	<u>571,324</u>	<u>(1,261,242)</u>	<u>(689,918)</u>
Income (loss) before special items	1,643,534	(2,510,305)	(866,771)
Special items - capital contributions	<u>-</u>	<u>9,914,577</u>	<u>9,914,577</u>
Change in net position	1,643,534	7,404,272	9,047,806
Net position, beginning of year	<u>21,243,060</u>	<u>16,747,858</u>	<u>37,990,918</u>
Net position, end of year	<u>\$ 22,886,594</u>	<u>\$ 24,152,130</u>	<u>\$ 47,038,724</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, 2023

	<u>Primary Government</u>
Cash Flows from Operating Activities:	
Cash received from tenants and others	\$ 4,390,687
Cash received from grantors	10,426,654
Cash paid to employees	(2,079,602)
Cash paid to vendors and suppliers	<u>(11,131,490)</u>
Net cash provided by operating activities	<u>1,606,249</u>
Cash Flows from Capital and Related Financing Activities:	
Principal payments of bonds/notes	(628,567)
Interest paid on long term debt	(130,833)
Purchase of capital assets	<u>(67,004)</u>
Net cash used in capital and related financing activities	<u>(826,404)</u>
Cash Flows from Investing Activities:	
Investment income	304,047
Capital contributions paid	(482,615)
Issuance of notes receivable	<u>(209,015)</u>
Net cash used in investing activities	<u>(387,583)</u>
Net increase in cash, cash equivalents, and restricted cash	392,262
Cash, cash equivalents, and restricted cash, beginning of year	<u>6,049,979</u>
Cash, cash equivalents, and restricted cash, end of year	\$ <u><u>6,442,241</u></u>
Reconciliation of cash, cash equivalents, and restricted cash to the Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 5,692,638
Tenant security deposits	21,744
Restricted cash	<u>727,859</u>
Total cash, cash equivalents, and restricted cash	\$ <u><u>6,442,241</u></u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Primary Government</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,072,210
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	398,186
Bad debt expense	47,669
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable, net	59,216
Prepaid expenses	(28,613)
Inventory, net	17,176
Deferred outflows of resources	(11,684)
Accounts payable	27,123
Accrued expenses	(13,772)
Tenant security deposits liability	63
Unearned revenue	(22,204)
Accrued compensated absences	51,848
Other liabilities	(2,653)
Net pension asset	188,285
Deferred inflows of resources	<u>(176,601)</u>
Net cash provided by operating activities	\$ <u>1,606,249</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, 2023

	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
Current assets:									
Cash and cash equivalents	\$ 86,447	\$ 133,034	\$ 182,267	\$ 16,701	\$ 6,853	\$ 345,573	\$ 105,336	\$ 770,657	\$ 1,646,868
Tenant security deposits	23,900	11,600	9,000	18,100	20,700	21,700	8,400	24,800	138,200
Accounts receivable, net	29,395	25,672	2,051	7,702	10,694	6,540	4,846	2,821	89,721
Prepaid expenses	53,511	25,412	19,623	44,514	52,812	61,208	20,581	51,984	329,645
Total current assets	193,253	195,718	212,941	87,017	91,059	435,021	139,163	850,262	2,204,434
Non-current assets:									
Restricted cash	752,587	215,922	282,054	457,523	463,039	431,489	222,563	445,320	3,270,497
Other assets	38,054	13,561	15,269	46,890	48,983	47,556	71,914	78,966	361,193
Capital assets, net	11,974,210	5,853,061	2,263,461	5,518,698	8,453,759	9,126,564	8,930,132	12,654,200	64,774,085
Total non-current assets	12,764,851	6,082,544	2,560,784	6,023,111	8,965,781	9,605,609	9,224,609	13,178,486	68,405,775
Total assets	\$ 12,958,104	\$ 6,278,262	\$ 2,773,725	\$ 6,110,128	\$ 9,056,840	\$ 10,040,630	\$ 9,363,772	\$ 14,028,748	\$ 70,610,209

ASSETS

**HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
COMBINING STATEMENT OF NET POSITION (continued)
DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2023**

	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
LIABILITIES									
Current liabilities:									
Accounts payable	\$ 16,105	\$ 4,016	\$ 365	\$ 4,988	\$ 14,217	\$ 17,675	\$ 7,980	\$ 26,296	\$ 91,642
Tenant security deposits	23,900	11,600	9,000	18,100	20,700	21,700	8,400	24,800	138,200
Prepaid rent	6,494	3,061	3,457	8,047	9,013	8,306	4,334	8,197	50,909
Loans payable, current	49,703	41,590	22,112	-	15,194	51,910	-	62,405	242,914
Accrued interest payable	132,838	7,663	2,874	-	57,586	295,495	75,802	200,333	772,591
Other current liabilities	17,745	5,923	8,791	33,770	196,341	14,050	9,428	22,489	398,537
Total current liabilities	246,785	73,853	46,599	64,905	313,051	409,136	105,944	344,520	1,604,793
Non-current liabilities:									
Loans payable	11,413,188	5,457,588	3,333,780	2,784,786	1,921,384	7,711,283	3,178,168	7,986,972	43,787,149
Other non-current liabilities	-	-	-	-	4,400	-	291,907	769,830	1,066,137
Total non-current liabilities	11,413,188	5,457,588	3,333,780	2,784,786	1,925,784	7,711,283	3,470,075	8,756,802	44,853,286
Total liabilities	11,659,973	5,531,441	3,380,379	2,849,691	2,238,835	8,120,419	3,576,019	9,101,322	46,458,079
NET POSITION									
Net position:									
Net investment in capital assets									
Restricted	511,319	353,883	(1,092,431)	2,733,912	6,517,181	1,363,371	5,751,964	4,604,823	20,744,022
Unrestricted (deficit)	752,587	215,922	282,054	457,523	463,039	431,489	222,563	445,320	3,270,497
	34,225	177,016	203,723	69,002	(162,215)	125,351	(186,774)	(122,717)	137,611
Total net position	1,298,131	746,821	(606,654)	3,260,437	6,818,005	1,920,211	5,787,753	4,927,426	24,152,130
Total liabilities and net position	\$ 12,958,104	\$ 6,278,262	\$ 2,773,725	\$ 6,110,128	\$ 9,056,840	\$ 10,040,630	\$ 9,363,772	\$ 14,028,748	\$ 70,610,209

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, 2023**

	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
Operating revenues:									
Tenant revenue	\$ 779,051	\$ 498,922	\$ 371,012	\$ 507,533	\$ 605,782	\$ 834,451	\$ 404,175	\$ 939,636	\$ 4,940,562
Total operating revenues	779,051	498,922	371,012	507,533	605,782	834,451	404,175	939,636	4,940,562
Operating expenses:									
Administrative	133,951	74,679	71,779	93,639	123,482	117,915	126,412	196,699	938,556
Tenant services	144	-	608	1,185	100	1,248	-	1,120	4,405
Utilities	119,239	41,150	43,518	83,571	95,157	105,706	35,219	99,303	622,863
Ordinary repairs and maintenance									
Insurance	377,362	73,540	125,544	284,726	250,393	228,972	138,580	200,354	1,679,471
General expenses	42,072	18,796	15,390	40,211	48,038	46,687	-	44,638	255,832
Depreciation	25,656	8,783	13,730	14,656	17,696	19,453	28,226	19,459	147,659
	347,309	201,194	163,595	390,653	491,279	261,386	319,325	366,098	2,540,839
Total operating expenses	1,045,733	418,142	434,164	908,641	1,026,145	781,367	647,762	927,671	6,189,625
Operating income (loss)	(266,682)	80,780	(63,152)	(401,108)	(420,363)	53,084	(243,587)	11,965	(1,249,063)
Non-operating revenues									
(expenses):									
Investment income	6,425	2,160	1,828	4,515	2,915	5,857	36	48	23,784
Interest expense	(348,704)	(138,424)	(38,956)	(25,545)	(53,104)	(201,760)	(186,816)	(291,708)	(1,285,026)
Net non-operating (expenses)	(342,279)	(136,264)	(37,128)	(21,030)	(50,189)	(195,912)	(186,780)	(291,660)	(1,261,242)
Special items - capital contributions	-	-	-	-	-	-	5,402,515	4,512,062	9,914,577
Change in net position	(608,961)	(55,484)	(100,280)	(422,138)	(470,552)	(142,828)	4,972,148	4,232,367	7,404,272
Net position, beginning of year	1,907,092	802,305	(506,374)	3,682,575	7,288,557	2,063,039	815,605	695,059	16,747,858
Net position, end of year	\$ 1,298,131	\$ 746,821	\$ (606,654)	\$ 3,260,437	\$ 6,818,005	\$ 1,920,211	\$ 5,787,753	\$ 4,927,426	\$ 24,152,130

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023

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, 2023, the Authority adopted GASB 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 increases the transparency and comparability among governmental organizations by requiring the recognition of subscription assets and subscription liabilities on the statement of net position by subscribers and the disclosure of key information about subscription arrangements. For the year ended December 31, 2023, the adoption of GASB 96 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, 2023

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, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

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

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

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

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

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, 2023

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 ALN 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, 2023

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, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Accounts Receivable, Net

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, 2023, 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, 2023

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, 2023.

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, 2023 there were no impairment losses incurred.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

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, 2023

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. Net Position Classifications

Net position is classified in three components:

Net investment in capital assets - Consists of capital assets 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 resources that do not meet the definition of "restricted" or "net investment in capital assets."

W. Use of Restricted Assets

When both restricted and unrestricted resources are available for a particular restricted use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as needed.

X. 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.

Y. 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, 2023, rental revenue earned under the aforementioned regulated leases totaled \$1,015,494 for the primary government and \$4,806,801 for the discretely presented component units.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Z. 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.

AA. Taxes

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

BB. 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, 2023, 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 \$6,442,241, and the bank balances of the primary government approximated \$6,559,323.

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Unrestricted	\$ 5,692,638	\$ 1,646,868	\$ 7,339,506
Tenant security deposits	21,744	138,200	159,944
Restricted	<u>727,859</u>	<u>3,270,497</u>	<u>3,998,356</u>
Total cash and cash equivalents	<u>\$ 6,442,241</u>	<u>\$ 5,055,565</u>	<u>\$ 11,497,806</u>

Of the bank balances of the primary government, \$250,000 was covered by federal depository insurance and the remaining \$6,309,323 was collateralized with the pledging financial institutions as of December 31, 2023.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

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, 2023, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3. INVESTMENTS

As of December 31, 2023, 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	\$ 193,277
Banner Bank #2	<u>68,128</u>
Total unrestricted investments	<u>\$ 261,405</u>
<u>Investment Type</u>	<u>Fair Value</u>
<u>Restricted:</u>	
Certificates of Deposit - Banner Bank #3:	<u>\$ 28,208</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, 2023:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Accounts receivable - tenants, net	\$ 9,822	\$ 75,317	\$ 85,139
Accounts receivable - other government	71,517	-	71,517
Accounts receivable - fraud recovery, net	53,390	-	53,390
Accounts receivable - miscellaneous	<u>308,580</u>	<u>14,404</u>	<u>322,984</u>
Total accounts receivable, net	<u>\$ 443,309</u>	<u>\$ 89,721</u>	<u>\$ 533,030</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

NOTE 4. ACCOUNTS RECEIVABLE, NET (continued)

Accounts Receivable - Tenants, Net

Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent, maintenance charges and/or late fees. The amount is shown net of an allowance for doubtful accounts of \$4,589 for the primary government and \$33,256 for the discretely presented component units.

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 \$11,766.

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, 2023, 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	\$ 126,314	\$ -	\$ 126,314
Water and sewer system reserves	321,250	-	321,250
Reserve for replacement escrows	211,165	1,584,294	1,795,459
Operating reserves	69,130	1,667,031	1,736,161
DCR supplemental reserves	-	19,172	19,172
Tenant security deposits	<u>21,744</u>	<u>138,200</u>	<u>159,944</u>
Total restricted deposits	<u>\$ 749,603</u>	<u>\$ 3,408,697</u>	<u>\$ 4,158,300</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.

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, 2023

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, 2023:

Description	December 31, 2022	Additions	Dispositions	Transfers	December 31, 2023
<u>Non-depreciable:</u>					
Land	\$ 1,788,054	\$ -	\$ -	\$ -	\$ 1,788,054
Construction in progress	<u>9,938</u>	<u>12,375</u>	<u>-</u>	<u>(4,688)</u>	<u>17,625</u>
Total	<u>1,797,992</u>	<u>12,375</u>	<u>-</u>	<u>(4,688)</u>	<u>1,805,679</u>
<u>Depreciable:</u>					
Buildings and improvements	9,756,664	-	-	-	9,756,664
Furniture and equipment	<u>550,953</u>	<u>54,629</u>	<u>(8,380)</u>	<u>4,688</u>	<u>601,890</u>
Total	<u>10,307,617</u>	<u>54,629</u>	<u>(8,380)</u>	<u>4,688</u>	<u>10,358,554</u>
Less: accumulated depreciation	<u>4,232,121</u>	<u>398,186</u>	<u>(8,380)</u>	<u>-</u>	<u>4,621,927</u>
Net capital assets	<u>\$ 7,873,488</u>	<u>\$ (331,182)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,542,306</u>

Depreciation expense for the fiscal year ended December 31, 2023 amounted to \$398,186.

The following is a summary of the discretely presented component units' changes in capital assets during the year ended December 31, 2023:

Description	December 31, 2022	Additions	Dispositions	Transfers	December 31, 2023
<u>Non-depreciable:</u>					
Land	\$ 3,704,801	\$ -	\$ -	\$ -	\$ 3,704,801
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>3,704,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,704,801</u>
<u>Depreciable:</u>					
Buildings and improvements	78,333,573	307,189	-	(637)	78,640,125
Furniture and equipment	<u>1,490,517</u>	<u>43,373</u>	<u>-</u>	<u>(17,337)</u>	<u>1,516,553</u>
Total	<u>79,824,090</u>	<u>350,562</u>	<u>-</u>	<u>(17,974)</u>	<u>80,156,678</u>
Less: accumulated depreciation	<u>16,563,495</u>	<u>2,540,839</u>	<u>(16,940)</u>	<u>-</u>	<u>19,087,394</u>
Net capital assets	<u>\$ 66,965,396</u>	<u>\$ 2,190,277</u>	<u>\$ 16,940</u>	<u>\$ (17,974)</u>	<u>\$ 64,774,085</u>

Depreciation expense for the fiscal year ended December 31, 2023 amounted to \$2,540,839.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

NOTE 7. NOTES RECEIVABLE

Outstanding notes receivable as of December 31, 2023 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 \$1,181,955.	5,850,605
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 \$274,303.	1,718,472
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 \$272,917.	1,336,467
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 \$196,170.	1,455,629
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, 2023

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. Included in the balance is accrued interest of \$36,794.	170,122
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. Included in the balance is accrued interest of \$132,771	<u>1,221,082</u>
Total notes receivable	<u>\$ 12,514,377</u>

As of December 31, 2023, accrued interest on the aforementioned notes receivable amounted to \$2,094,910. \$224,449 is included in accrued interest, current and \$1,870,461 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, 2023:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Net pension asset	\$ 325,961	\$ -	\$ 325,961
Investment in joint ventures	892,076	-	892,076
Tax credit fees, net	<u>-</u>	<u>361,193</u>	<u>361,193</u>
Total other assets	<u>\$ 1,218,037</u>	<u>\$ 361,193</u>	<u>\$ 1,579,230</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.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

NOTE 8. OTHER ASSETS, NET (continued)

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.

NOTE 9. NON-CURRENT LIABILITIES

Non-current liabilities of the primary government as of December 31, 2023 consisted of the following:

Description	December 31, 2022	Additions	Payments	December 31, 2023	Amounts due within one Year
Compensated absences	\$ 159,984	\$ 243,896	\$ (192,048)	\$ 211,832	\$ 211,832
Loans payable	<u>6,300,594</u>	<u>-</u>	<u>(628,567)</u>	<u>5,672,027</u>	<u>1,651,247</u>
Total long-term liabilities	<u>\$ 6,460,578</u>	<u>\$ 243,896</u>	<u>\$ (820,615)</u>	<u>\$ 5,883,859</u>	<u>\$ 1,863,079</u>

Non-current liabilities of the discretely presented component units as of December 31, 2023 consisted of the following:

Description	December 31, 2022	Additions	Payments	December 31, 2023	Amounts due within one Year
Developer fee payable	\$ 2,109,218	\$ -	\$ (1,043,081)	\$ 1,066,137	\$ -
Loans payable	<u>50,070,078</u>	<u>-</u>	<u>(6,040,015)</u>	<u>44,030,063</u>	<u>242,914</u>
Total long-term liabilities	<u>\$ 52,179,296</u>	<u>\$ -</u>	<u>\$ (7,083,096)</u>	<u>\$ 45,096,200</u>	<u>\$ 242,914</u>

NOTE 10. LOANS PAYABLE

Loans payable of the primary government consisted of the following as of December 31, 2023:

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 2026, and is secured by real estate.	\$ 663,000

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

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.	18,376
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.	28,906
The Authority entered into a loan with the WA State Department of Commerce for the Drinking Water State Reserve Fund on May 3, 2013 in the amount of \$253,595. In July 2018, the loan was transferred to the WA State Department of Health in the amount of \$176,347. The loan bears interest at a rate of 3%, matures in 2028.	79,248
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 2.625%, matures in 2026, and is secured by real estate.	1,160,780
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 September 2024, and is secured by real estate.	1,504,217
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 0%, matures in 2049, 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	5,672,027
Less: current portion	<u>1,651,247</u>
Long-term debt, net of current portion	\$ <u><u>4,020,780</u></u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

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:

Year	Principal	Interest	Total
2024	\$ 1,651,247	\$ 117,201	\$ 1,768,448
2025	812,516	32,693	845,209
2026	1,078,977	29,013	1,107,990
2027	72,581	1,905	74,486
2028	566,706	558	567,264
2029-2033	282,750	317,168	599,918
2034-2038	321,250	140,855	462,105
2039-2043	321,250	11,249	332,499
2044-2048	321,250	-	321,250
2049	243,500	-	243,500
	\$ 5,672,027	\$ 650,642	\$ 6,322,669

Interest expense for the year ended December 31, 2023 totaled \$140,940.

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 \$1,181,955.	5,850,605
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 \$274,303.	1,718,472
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 \$272,917.	1,336,467

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

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 \$196,170.	1,455,629
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. Accrued interest on the loan totaled \$36,794.	170,123
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. Accrued interest on the loan totaled \$132,771.	<u>1,221,082</u>
Total primary government loans to discretely presented component units	\$ <u>12,452,378</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.	\$ 2,784,786
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.	656,069
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.	1,280,509
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.	530,892

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

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.	1,857,347
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.	1,669,998
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.	3,829,180
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.	1,815,446
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, 2023

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 term loan to Banner Bank, dated August 26, 2021, for \$3,900,000; interest at 3.125% and is due to mature on December 27, 2040; secured by deed of trust on the related real estate.	3,900,000
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	31,785,900
Less: debt issuance costs on loans paid off during the year	<u>208,215</u>
Total long-term debt	44,030,063
Less: current portion of long-term debt	<u>242,914</u>
Total long-term debt, net of current portion	\$ <u><u>43,787,149</u></u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

NOTE 10. LOANS PAYABLE (continued)

Interest expense for the year ended December 31, 2023 totaled \$1,285,026.

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 2023:

<u>Account Description</u>	<u>Primary Government</u>
Net pension asset	\$ <u>325,961</u>
Deferred inflow of resources	\$ <u>303,224</u>
Deferred outflow of resources	\$ <u>453,124</u>
Pension (benefit) expense	\$ <u>(311,345)</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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

The DRS ACFR may also be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

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 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	6.00%
Administrative Fee	0.18%	
Total	10.39%	12.00%

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

The Authority's actual contributions to PERS Plan 1 were \$74,034 for the year ended December 31, 2023.

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, 2023

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 2023 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2023	10.39%	6.36%
July through December 2023	9.39%	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 \$123,130 for the year ended December 31, 2023.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. 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 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, 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, 2023

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 ACFR, 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

OSA selected a 7.00% long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

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, 2023, 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return Arithmetic
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%
	100%	

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

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 <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
PERS 1	346,501	248,019	162,067
PERS 2/3	624,272	(573,980)	(1,558,419)

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, 2023, the Authority reported a total pension liability (asset) of \$(325,961) for its proportionate share of the net pension liabilities (assets) as follows:

<u>Plan</u>	<u>Liability / (Assets)</u>
PERS 1	\$ 248,019
PERS 2/3	<u>(573,980)</u>
Total	<u>\$ (325,961)</u>

At June 30, 2023, the Authority's proportionate share of the collective net pension liabilities (assets) was as follows:

	<u>Proportionate Share June 30, 2022</u>	<u>Proportionate Share June 30, 2023</u>	<u>Change in Proportion</u>
PERS 1	0.009889%	0.010865%	0.000976%
PERS 2/3	0.012895%	0.014004%	0.001109%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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, 2023

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, 2023, and the actuarial valuation date on which the total pension liability (asset) is based was June 30, 2022, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense (Benefit)

For the year ended December 31, 2023, the Authority recognized pension expense (benefit) as follows:

	Pension Expense (Benefit)
PERS 1	\$ (28,727)
PERS 2/3	<u>(282,618)</u>
Total	<u>\$ (311,345)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, 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>27,978</u>
Total PERS Plan 1	\$ <u>-</u>	\$ <u>27,978</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

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 of Resources
Changes of Assumptions	\$ 240,976	\$ 52,523
Differences between expected and actual experience	116,919	6,413
Net differences between projected and actual investment earnings on pension plan investments	-	216,310
Contributions subsequent to measurement date	<u>95,229</u>	<u>-</u>
Total PERS Plan 2/3	<u>453,124</u>	<u>275,246</u>
Total PERS Plans 1,2 and 3	<u>\$ 453,124</u>	<u>\$ 303,224</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>
2024	\$ 58,601
2025	73,123
2026	(62,510)
2027	(7,520)
2028	(6,031)
Thereafter	<u>(992)</u>
	<u>\$ 54,671</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, 2023:

Description	Partnership Admin Fee	Property Management Fee	Total
Emerald	\$ 5,851	\$ 51,050	\$ 56,901
Galbraith Gardens	8,980	28,541	37,521
Lariat	11,710	26,786	38,496
HOPR	7,500	73,623	81,123
Evergreen Commons	10,000	25,576	35,576
Senior Housing	-	56,621	56,621
Family Homes	10,000	35,186	45,186
Family Homes Two	<u>23,486</u>	<u>53,052</u>	<u>76,538</u>
Total	<u>\$ 77,527</u>	<u>\$ 350,435</u>	<u>\$ 427,962</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

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>
<u>Emerald</u>	
Year-end fees	\$ 17,257
Partnership fees	488
AHP Note	700,000
Seller loan, including accrued interest	5,925,200
Sponsor loan A, including accrued interest	1,753,558
Sponsor loan B, including accrued interest	<u>1,353,507</u>
	<u>\$ 9,750,010</u>
<u>Galbraith Gardens</u>	
Year-end fees	\$ 8,043
Partnership fees	<u>748</u>
	<u>\$ 8,791</u>
<u>Lariat</u>	
Year-end fees	\$ 4,947
Partnership fee	<u>976</u>
	<u>\$ 5,923</u>
<u>HOPR</u>	
Year-end fees	\$ 21,864
Partnership fee	625
Seller loan, including accrued interest	<u>1,276,764</u>
	<u>\$ 1,298,628</u>
<u>Evergreen</u>	
Year-end fees	\$ 8,595
Partnership fee	833
Seller loan, including accrued interest	<u>206,917</u>
	<u>\$ 216,345</u>
<u>Senior Housing</u>	
Year-end fees	\$ 14,050
Seller loan, including accrued interest	<u>1,460,882</u>
	<u>\$ 1,474,932</u>

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

NOTE 12. RELATED PARTY TRANSACTIONS (continued)

Family Homes

Year-end fees	\$ 3,009
Partnership fee	<u>24,335</u>
	<u>\$ 27,344</u>

Family Homes Two

Year-end fees	\$ 23,501
Partnership fee	<u>172,840</u>
	<u>\$ 196,341</u>

NOTE 13. RESTRICTED NET POSITION

Restricted net position consists of the following as of December 31, 2023:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Housing assistance payment reserves	\$ 126,314	\$ -	\$ 126,314
Operating and replacement reserves	308,503	3,251,325	3,559,828
DCR supplemental reserves	-	19,172	19,172
Water and sewer system reserves	321,250	-	321,250
Net pension asset	<u>325,961</u>	<u>-</u>	<u>325,961</u>
Total restricted net position	<u>\$ 1,082,028</u>	<u>\$ 3,270,497</u>	<u>\$ 4,352,525</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.

NOTE 14. SPECIAL ITEMS

Special items totaling \$9,914,577 in the discretely presented component units represent capital contributions made by partners of the various entities.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

NOTE 15. RISK MANAGEMENT

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

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

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

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

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

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

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

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

Risk Exposure and Claims:

There were no damage claims in 2023. Claims have not exceeded insurance coverage in any of the last three years.

HOUSING AUTHORITY OF THE CITY OF WALLA WALLA
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

NOTE 16. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of December 31, 2023, the Authority estimates that no material liabilities will result from such audits.

NOTE 17. 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 May 23, 2024, 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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated May 23, 2024.

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 opinion 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 or significant deficiencies 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

May 23, 2024
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, 2023. 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, 2023.

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.

Novogrudac & Company LLP

May 23, 2024
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, 2023**

<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	\$ 256,124	\$ -	\$ 256,124
Subtotal Department of Housing and Urban Development: Pass-Through Programs			256,124	-	256,124
U.S. Department of Housing and Urban Development: Direct Programs					
Housing Voucher Cluster					
Section 8 Housing Choice Vouchers	14.871	WA057	-	9,651,403	9,651,403
Emergency Housing Vouchers	14.EHV	WA057	-	208,106	208,106
Total Housing Voucher Cluster			-	9,859,509	9,859,509
Subtotal United States Department of Housing and Urban Development: Direct Programs			-	9,859,509	9,859,509
U.S. Department of Veterans Affairs					
VA Homeless Providers Grant and Per Diem Program	64.024	250-0568-687-SI-18-0	-	224,392	224,392
Subtotal U.S. Department of Veterans Affairs			-	224,392	224,392
Total Expenditures of Federal Awards			\$ 256,124	\$ 10,083,901	\$ 10,340,025

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, 2023

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, 2023. 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, 2023**

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: | 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	Housing Voucher Cluster:
14.EHV	Section 8 Housing Choice Vouchers
	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, 2023**

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

None.

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, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
PERS #1						
Employer's proportion of the net pension liability (asset)	.010865%	.009889%	.009752%	0.010141%	0.010077%	0.009807%
Employer's proportionate share of the net pension liability (asset)	248,019	275,346	119,095	358,032	387,497	437,984
Covered payroll*	1,793,039	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	13.83 %	20.18 %	9.37 %	29.14 %	27.01 %	31.26 %
Plan fiduciary net position as a percentage of the total pension liability	80.17 %	76.57 %	88.74 %	68.65 %	67.13 %	63.23 %
PERS #2/3						
Employer's proportion of the net pension liability (asset)	.014004%	0.012985%	0.012528%	0.013149%	0.013020%	0.012586%
Employer's proportionate share of the net pension liability (asset)	(573,980)	(478,247)	(1,247,990)	168,168	126,468	214,895
Covered payroll*	1,793,039	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	(32.01)%	(35.04)%	(98.15)%	13.69 %	8.81 %	15.34 %
Plan fiduciary net position as a percentage of the total pension liability	107.02 %	106.73 %	120.29 %	97.22 %	97.77 %	95.77 %

* 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
PERS #1					
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
PERS #2/3					
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

* 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, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
PERS #1						
Statutorily or contractually required contributions	59,553	60,603	72,641	94,202	60,576	70,882
Contributions in relation to the statutorily or contractually required contributions*	<u>(59,553)</u>	<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>	<u>-</u>
Covered payroll*	1,793,039	1,364,747	1,271,456	1,228,548	1,434,857	1,401,163
Contributions as a percentage of covered payroll	3.32 %	4.44 %	5.71 %	7.67 %	4.22 %	5.06 %
PERS #2/3						
Statutorily or contractually required contributions	114,038	103,595	118,671	97,301	110,591	105,066
Contributions in relation to the statutorily or contractually required contributions*	<u>(114,038)</u>	<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>	<u>-</u>
Covered payroll*	1,793,039	1,364,747	1,271,456	1,228,548	1,434,857	1,401,163
Contributions as a percentage of covered payroll	6.36 %	7.59 %	9.33 %	7.92 %	7.71 %	7.50 %

* 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
PERS #1					
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 %

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
PERS #2/3					
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 %

* 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)

HA City of Walla Walla (WA057)

WALLA WALLA, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2023

	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	1 Business Activities	14.228 Community Development Block Grants/State's Program	2 State/Local	14.239 HOME Investment Partnerships Program
111 Cash - Unrestricted	\$1,646,868		\$2,835,167	\$2,320	\$1,083,136	\$34
112 Cash - Restricted - Modernization and Development	\$3,251,325		\$321,250		\$280,295	
113 Cash - Other Restricted						
114 Cash - Tenant Security Deposits	\$138,200		\$300		\$21,444	
115 Cash - Restricted for Payment of Current Liabilities	\$19,172					
100 Total Cash	\$5,055,565	\$0	\$3,156,717	\$2,320	\$1,384,875	\$34
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						\$28,642
125 Accounts Receivable - Miscellaneous	\$14,404		\$307,384			
126 Accounts Receivable - Tenants	\$108,573		\$1,484	\$0	\$12,158	\$0
126.1 Allowance for Doubtful Accounts - Tenants	-\$33,256		-\$700	\$0	-\$3,889	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						\$422
128.1 Allowance for Doubtful Accounts - Fraud			\$0	\$0		-\$422
129 Accrued Interest Receivable			\$224,449			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$89,721	\$0	\$532,617	\$0	\$8,269	\$28,642
131 Investments - Unrestricted			\$261,405			
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$329,645		\$44,766	\$1,296	\$28,099	\$794
143 Inventories			\$43,315			
143.1 Allowance for Obsolete Inventories			-\$750			
144 Inter Program Due From			\$158,438			
145 Assets Held for Sale						
150 Total Current Assets	\$5,474,931	\$0	\$4,196,508	\$3,616	\$1,421,243	\$29,470
161 Land	\$3,704,801		\$895,812	\$35,241	\$794,501	
162 Buildings	\$74,566,783		\$2,480,045	\$374,645	\$5,184,778	
163 Furniture, Equipment & Machinery - Dwellings	\$1,369,266		\$3,339	\$4,595	\$92,238	
164 Furniture, Equipment & Machinery - Administration	\$147,287		\$439,580			
165 Leasehold Improvements	\$4,073,342		\$176,009		\$51,889	
166 Accumulated Depreciation	-\$19,087,394		-\$1,278,730	-\$209,318	-\$2,112,873	
167 Construction in Progress			\$17,625			
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$64,774,085	\$0	\$2,733,680	\$205,163	\$4,000,533	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current			\$12,514,377			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets	\$361,193		\$212,605	\$318	\$37,881	\$3,184
176 Investments in Joint Ventures			\$892,076			
180 Total Non-Current Assets	\$65,135,278	\$0	\$16,352,738	\$205,481	\$4,038,414	\$3,184
200 Deferred Outflow of Resources			\$299,822	\$441	\$48,384	\$4,425
290 Total Assets and Deferred Outflow of Resources	\$70,610,209	\$0	\$20,849,068	\$209,538	\$5,508,041	\$37,079

HA City of Walla Walla (WA057)

WALLA WALLA, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2023

	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	1 Business Activities	14.228 Community Development Block Grants/State's Program	2 State/Local	14.239 HOME Investment Partnerships Program
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$91,642		\$36,470	\$118	\$4,628	
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable			\$4,935			
322 Accrued Compensated Absences - Current Portion			\$211,832			
324 Accrued Contingency Liability						
325 Accrued Interest Payable	\$772,591		\$19,858		\$57,305	
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government						
341 Tenant Security Deposits	\$138,200		\$300		\$21,844	
342 Unearned Revenue	\$50,909		\$800	\$2,000	\$7,796	
344 Current Portion of Long-term Debt - Operating Borrowings	\$242,914		\$15,850		\$1,625,144	
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities	\$308,537		\$2,234		\$2,195	\$21
346 Accrued Liabilities - Other						
347 Inter Program - Due To		\$296	\$0			\$31,091
348 Loan Liability - Current						
310 Total Current Liabilities	\$1,604,793	\$296	\$292,279	\$2,118	\$1,718,912	\$31,112
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$43,787,149		\$565,898		\$3,417,852	
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other	\$1,066,137					
354 Accrued Compensated Absences - Non Current						
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$44,853,286	\$0	\$565,898	\$0	\$3,417,852	\$0
300 Total Liabilities	\$46,458,079	\$296	\$858,177	\$2,118	\$5,136,764	\$31,112
400 Deferred Inflow of Resources			\$199,885	\$296	\$33,126	\$2,963
508.4 Net Investment in Capital Assets	\$20,744,022		\$2,151,932	\$205,163	-\$1,042,463	\$0
511.4 Restricted Net Position	\$3,270,497		\$533,855	\$318	\$318,176	\$3,184
512.4 Unrestricted Net Position	\$137,611	-\$296	\$17,105,219	\$1,643	\$1,062,438	-\$180
513 Total Equity - Net Assets / Position	\$24,152,130	-\$296	\$19,791,006	\$207,124	\$338,151	\$3,004
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$70,610,209	\$0	\$20,849,068	\$209,538	\$5,508,041	\$37,079

HA City of Walla Walla (WA057)

WALLA WALLA, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2023

	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	14.EHV Emergency Housing Voucher	ELIM	Total
111 Cash - Unrestricted	\$1,703,985	\$67,982	\$14		\$7,339,506
112 Cash - Restricted - Modernization and Development			\$0		\$3,852,870
113 Cash - Other Restricted	\$122,026		\$4,288		\$126,314
114 Cash - Tenant Security Deposits			\$0		\$159,944
115 Cash - Restricted for Payment of Current Liabilities			\$0		\$19,172
100 Total Cash	\$1,826,011	\$67,982	\$4,302	\$0	\$11,497,806
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government	\$98	\$42,777			\$71,517
125 Accounts Receivable - Miscellaneous	\$1,196				\$322,984
126 Accounts Receivable - Tenants	\$769	\$0			\$122,984
126.1 Allowance for Doubtful Accounts - Tenants	\$0	\$0			-\$37,845
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0			\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery	\$65,156		\$6,306		\$71,884
128.1 Allowance for Doubtful Accounts - Fraud	-\$11,766		-\$6,306		-\$18,494
129 Accrued Interest Receivable					\$224,449
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$55,453	\$42,777	\$0	\$0	\$757,479
131 Investments - Unrestricted					\$261,405
132 Investments - Restricted		\$28,208	\$0		\$28,208
135 Investments - Restricted for Payment of Current Liability			\$0		\$0
142 Prepaid Expenses and Other Assets	\$55,360	\$5,997			\$465,957
143 Inventories					\$43,315
143.1 Allowance for Obsolete Inventories					-\$750
144 Inter Program Due From				-\$158,438	\$0
145 Assets Held for Sale					\$0
150 Total Current Assets	\$1,936,824	\$144,964	\$4,302	-\$158,438	\$13,053,420
161 Land		\$62,500			\$5,492,855
162 Buildings		\$1,489,298			\$84,095,549
163 Furniture, Equipment & Machinery - Dwellings		\$28,915			\$1,488,353
164 Furniture, Equipment & Machinery - Administration	\$43,223				\$630,090
165 Leasehold Improvements					\$4,301,240
166 Accumulated Depreciation	-\$8,645	-\$1,012,361			-\$23,709,321
167 Construction in Progress					\$17,625
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$34,578	\$568,352	\$0	\$0	\$72,316,391
171 Notes, Loans and Mortgages Receivable - Non-Current					\$12,514,377
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					
173 Grants Receivable - Non Current					
174 Other Assets	\$69,790	\$2,183			\$687,154
176 Investments in Joint Ventures					\$892,076
180 Total Non-Current Assets	\$104,368	\$570,535	\$0	\$0	\$86,409,998
200 Deferred Outflow of Resources	\$97,017	\$3,035			\$453,124
290 Total Assets and Deferred Outflow of Resources	\$2,138,209	\$718,534	\$4,302	-\$158,438	\$99,916,542

HA City of Walla Walla (WA057)

WALLA WALLA, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2023

	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	14.EHV Emergency Housing Voucher	ELIM	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days		\$38,173			\$171,031
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable					\$4,935
322 Accrued Compensated Absences - Current Portion					\$211,832
324 Accrued Contingency Liability					
325 Accrued Interest Payable		\$177			\$849,931
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits					\$160,344
342 Unearned Revenue	\$76	\$600			\$62,181
344 Current Portion of Long-term Debt - Operating Borrowings		\$10,253			\$1,894,161
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities	\$294	\$32,832			\$346,113
346 Accrued Liabilities - Other					
347 Inter Program - Due To		\$127,051		-\$158,438	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$370	\$209,086	\$0	-\$158,438	\$3,700,528
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$37,030			\$47,807,929
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					\$1,066,137
354 Accrued Compensated Absences - Non Current					
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$0	\$37,030	\$0	\$0	\$48,874,066
300 Total Liabilities	\$370	\$246,116	\$0	-\$158,438	\$52,574,594
400 Deferred Inflow of Resources	\$64,923	\$2,031			\$303,224
508.4 Net Investment in Capital Assets	\$34,578	\$521,069			\$22,614,301
511.4 Restricted Net Position	\$191,816	\$30,391	\$4,288		\$4,352,525
512.4 Unrestricted Net Position	\$1,846,522	-\$81,073	\$14		\$20,071,898
513 Total Equity - Net Assets / Position	\$2,072,916	\$470,387	\$4,302	\$0	\$47,038,724
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,138,209	\$718,534	\$4,302	-\$158,438	\$99,916,542

HA City of Walla Walla (WA057)

WALLA WALLA, WA

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2023

	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	1 Business Activities	14.228 Community Development Block Grants/State's Program	2 State/Local	14.239 HOME Investment Partnerships Program
70300 Net Tenant Rental Revenue	\$4,806,801	\$0		\$24,000	\$984,294	
70400 Tenant Revenue - Other	\$133,761				\$19,792	
70500 Total Tenant Revenue	\$4,940,562	\$0	\$0	\$24,000	\$1,004,086	\$0
70600 HUD PHA Operating Grants						\$256,124
70610 Capital Grants						
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees			\$2,586,601			
70700 Total Fee Revenue						
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$4,780		\$400,629		\$4	
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery	\$0					\$422
71500 Other Revenue	\$0		\$419,038	\$305	\$36,473	\$3,041
71600 Gain or Loss on Sale of Capital Assets	\$0		\$0			
72000 Investment Income - Restricted	\$19,004		\$62		\$187	
70000 Total Revenue	\$4,964,346	\$0	\$3,406,330	\$24,305	\$1,040,750	\$259,587
91100 Administrative Salaries	\$289,262		\$566,210	\$5,098	\$68,013	\$12,898
91200 Auditing Fees	\$93,338		\$26,557	\$42	\$3,902	
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing	\$1,149		\$4,863	\$2	\$153	\$5
91500 Employee Benefit contributions - Administrative			\$119,899	\$1,012	\$13,928	\$3,522
91600 Office Expenses	\$50,818		\$112,383	\$320	\$17,461	\$1,153
91700 Legal Expense	\$24,308		\$6,252		\$2,386	
91800 Travel			\$14,258	\$14	\$1,287	\$107
91810 Allocated Overhead						
91900 Other	\$479,681		\$4,912		\$950	
91000 Total Operating - Administrative	\$938,556	\$0	\$855,334	\$6,488	\$108,080	\$17,685
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$4,405					
92500 Total Tenant Services	\$4,405	\$0	\$0	\$0	\$0	\$0

HA City of Walla Walla (WA057)

WALLA WALLA, WA

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2023

	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	1 Business Activities	14.228 Community Development Block Grants/State's Program	2 State/Local	14.239 HOME Investment Partnerships Program
93100 Water	\$235,959		\$11,280	\$1,313	\$30,795	\$25
93200 Electricity	\$77,504		\$20,595	\$8	\$6,162	\$54
93300 Gas	\$8,064		\$2,135	\$812	\$314	\$14
93400 Fuel						
93500 Labor						
93600 Sewer	\$301,336		\$128,307	\$1,817	\$43,832	\$47
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$622,863	\$0	\$162,317	\$3,950	\$81,103	\$140
94100 Ordinary Maintenance and Operations - Labor	\$878,667		\$753,985	\$2,809	\$87,211	
94200 Ordinary Maintenance and Operations - Materials and Other	\$185,577		\$33,085	\$1,726	\$32,176	\$2
94300 Ordinary Maintenance and Operations Contracts	\$615,227		\$83,723	\$2,661	\$50,067	\$96
94500 Employee Benefit Contributions - Ordinary Maintenance			\$218,455	\$597	\$24,973	
94000 Total Maintenance	\$1,679,471	\$0	\$1,089,248	\$7,793	\$194,427	\$98
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$255,832		\$28,866	\$1,152	\$23,445	\$319
96120 Liability Insurance						
96130 Workmen's Compensation						
96140 All Other Insurance						
96100 Total Insurance Premiums	\$255,832	\$0	\$28,866	\$1,152	\$23,445	\$319
96200 Other General Expenses	\$93,850		\$60,458			\$908
96210 Compensated Absences			\$51,847			
96300 Payments in Lieu of Taxes						
96400 Bad debt - Tenant Rents	\$53,809		\$-1,452		\$14,854	
96500 Bad debt - Mortgages						
96600 Bad debt - Other						\$422
96800 Severance Expense						
96000 Total Other General Expenses	\$147,659	\$0	\$-10,063	\$0	\$14,854	\$1,330
96710 Interest of Mortgage (or Bonds) Payable	\$1,285,026		\$23,691		\$114,917	
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$1,285,026	\$0	\$23,691	\$0	\$114,917	\$0
96900 Total Operating Expenses	\$4,933,812	\$0	\$2,149,393	\$19,383	\$536,826	\$19,572

HA City of Walla Walla (WA057)

WALLA WALLA, WA

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2023

	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	1 Business Activities	14.228 Community Development Block Grants/State's Program	2 State/Local	14.239 HOME Investment Partnerships Program
97000 Excess of Operating Revenue over Operating Expenses	\$30,534	\$0	\$1,256,937	\$4,922	\$503,924	\$240,015
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments						\$236,495
97350 HAP Portability-In						
97400 Depreciation Expense	\$2,540,839		\$139,602	\$17,218	\$186,314	
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$7,474,651	\$0	\$2,288,995	\$36,601	\$723,140	\$256,067
10010 Operating Transfer In						
10020 Operating transfer Out						
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						
10080 Special Items (Net Gain/Loss)	\$9,914,577					
10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	\$9,914,577	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$7,404,272	\$0	\$1,117,335	-\$12,296	\$317,610	\$3,520
11020 Required Annual Debt Principal Payments	\$172,738	\$0	\$484,151	\$0	\$129,587	\$0
11030 Beginning Equity	\$16,747,858	-\$296	\$18,673,671	\$219,420	\$20,541	-\$516
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0		\$0			
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity						
11180 Housing Assistance Payments Equity						
11190 Unit Months Available	900	0	24	24	876	253
11210 Number of Unit Months Leased	880	0	24	24	857	253

HA City of Walla Walla (WA057)

WALLA WALLA, WA

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2023

	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	14.EHV Emergency Housing Voucher	ELIM	Total
70300 Net Tenant Rental Revenue		\$7,200			\$5,822,295
70400 Tenant Revenue - Other					\$153,553
70500 Total Tenant Revenue	\$0	\$7,200	\$0		\$5,975,848
70600 HUD PHA Operating Grants	\$9,813,547	\$224,392	\$202,133		\$10,496,196
70610 Capital Grants					
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					\$2,586,601
70700 Total Fee Revenue					
70800 Other Government Grants					
71100 Investment Income - Unrestricted					\$405,413
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery	\$80,018		\$6,456		\$86,896
71500 Other Revenue	\$66,676	\$2,085			\$527,618
71600 Gain or Loss on Sale of Capital Assets					\$0
72000 Investment Income - Restricted		\$37			\$19,290
70000 Total Revenue	\$9,960,241	\$233,714	\$208,589		\$20,097,862
91100 Administrative Salaries	\$694,024	\$6,162	\$14,177		\$1,655,844
91200 Auditing Fees	\$21,076				\$144,815
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing	\$821				\$6,993
91500 Employee Benefit contributions - Administrative	\$161,846	\$1,133	\$3,880		\$305,220
91600 Office Expenses	\$165,248	\$507			\$347,890
91700 Legal Expense					\$32,946
91800 Travel	\$6,845				\$22,511
91810 Allocated Overhead					
91900 Other	\$2,524				\$488,067
91000 Total Operating - Administrative	\$1,052,384	\$7,802	\$18,057		\$3,004,386
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other			\$29,534		\$33,939
92500 Total Tenant Services	\$0	\$0	\$29,534		\$33,939

HA City of Walla Walla (WA057)

WALLA WALLA, WA

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2023

	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	14.EHV Emergency Housing Voucher	ELIM	Total
93100 Water	\$1,687	\$7,386			\$288,445
93200 Electricity	\$4,065				\$108,388
93300 Gas	\$1,680				\$13,019
93400 Fuel					
93500 Labor					
93600 Sewer	\$2,952	\$7,799			\$486,090
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$10,384	\$15,185	\$0		\$895,942
94100 Ordinary Maintenance and Operations - Labor		\$4,394			\$1,727,066
94200 Ordinary Maintenance and Operations - Materials and Other	\$66	\$2,120			\$254,752
94300 Ordinary Maintenance and Operations Contracts	\$5,844	\$8,006			\$765,624
94500 Employee Benefit Contributions - Ordinary Maintenance		\$1,220			\$245,245
94000 Total Maintenance	\$5,910	\$15,740	\$0		\$2,992,687
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$0	\$0	\$0		\$0
96110 Property Insurance	\$10,264	\$4,990			\$324,868
96120 Liability Insurance					
96130 Workmen's Compensation					
96140 All Other Insurance					
96100 Total Insurance Premiums	\$10,264	\$4,990	\$0		\$324,868
96200 Other General Expenses	\$37,180	\$190,724			\$262,204
96210 Compensated Absences					\$51,847
96300 Payments in Lieu of Taxes					
96400 Bad debt - Tenant Rents					\$67,211
96500 Bad debt - Mortgages					
96600 Bad debt - Other	\$27,539		\$6,306		\$34,267
96800 Severance Expense					
96000 Total Other General Expenses	\$64,719	\$190,724	\$6,306		\$415,529
96710 Interest of Mortgage (or Bonds) Payable		\$2,332			\$1,425,966
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$2,332	\$0		\$1,425,966
96900 Total Operating Expenses	\$1,143,661	\$236,773	\$53,897		\$9,093,317

HA City of Walla Walla (WA057)

WALLA WALLA, WA

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2023

	14.871 Housing Choice Vouchers	64.024 VA Homeless Providers Grant and Per Diem Program	14.EHV Emergency Housing Voucher	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	\$8,816,580	-\$3,059	\$154,692		\$11,004,545
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments	\$8,535,281		\$160,515		\$8,932,291
97350 HAP Portability-In					
97400 Depreciation Expense	\$4,323	\$50,729			\$2,939,025
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$9,683,265	\$287,502	\$214,412		\$20,964,633
10010 Operating Transfer In					
10020 Operating transfer Out					
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					\$9,914,577
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0		\$9,914,577
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$276,976	-\$53,788	-\$5,823		\$9,047,806
11020 Required Annual Debt Principal Payments	\$0	\$9,802	\$0		\$796,278
11030 Beginning Equity	\$1,795,940	\$524,175	\$10,125		\$37,990,918
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors					\$0
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity	\$1,950,890				\$1,950,890
11180 Housing Assistance Payments Equity	\$122,026				\$122,026
11190 Unit Months Available	12888	288	180		15433
11210 Number of Unit Months Leased	12142	133	153		14466