WEST VALLEY HOUSING AUTHORITY

Financial Statements and Independent Auditors' Report

Year Ended December 31, 2022

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The following table lists the Board Members as of December 31, 2022:

Chairperson	Jessica Blakely
Vice Chairperson	Amanda Deyerle-Olney
Commissioner	Jacqueline Jameson
Commissioner	Vacant
Commissioner	Vacant

In addition to the above Commissioners, the Administrator of West Valley Housing Authority is Christian Edelblute, who served as the Executive Director.

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INDEPENDENT AUDITORS' REPORT

To the Governing Body of
West Valley Housing Authority

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the business-type activities West Valley Housing Authority (Authority), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of December 31, 2022, and the changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's 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 audit. 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, and for 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 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:

(1) Exercise professional judgment and maintain professional skepticism throughout the audit; (2) 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; (3) 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; (4) 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; (5) 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements.

The schedule of expenditures of federal awards, required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying statement and certification of actual costs, required by the U.S. Department of Housing and Urban Development, is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

That information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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, that information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2023, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Authority's 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.

Smith Marion & Co.

July 14, 2023
Redlands, CA

The West Valley Housing Authority's (Authority, we, us, our) Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of our financial activity, (c) identify changes in our financial position and its resulting ability to address the next and subsequent year challenges, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with our financial statements.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities by $13,482,843 (net position) at year-end. Of this amount, $5,784,928 (unrestricted net position) is available to meet the future needs of the Authority, its creditors, and the Polk County community.

Authority net position increased by $1,608,384 during this year. This increase is attributable to current year revenues exceeding expenditures, a decrease of restricted reserves of ($81,438) that include PHA-held HCV, Mainstream, and EVH program HAP, and an increase of unrestricted reserves of $1,070,916.

The Authority continues to operate without the need for additional debt borrowings during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of two parts: Management's Discussion and Analysis and the basic financial statements. The Authority follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Authority. While detailed sub-fund information is not presented, separate accounts are maintained for each program of the Authority.

The financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements. The statement of net position provides a record or snapshot of the assets and liabilities at the close of the fiscal year. It presents the financial position of the Authority on a full accrual historical cost basis. The statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year. The statement of cash flows is related to the other financial statements by the way it links changes in assets and liabilities to the effects on cash and cash equivalents over the course of the fiscal year. The notes to the financial statements provide useful information regarding the Authority's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

The following table reflects the condensed Statement of Net Position compared to prior year:

			Change	
	2022	**2021**	**Dollar**	**Percentage**
Cash and equivalents	$ 2,419,589	$ 2,981,405	$ (561,816)	(18.8%)
Other current assets	5,992,693	4,528,134	1,464,559	32.3%
Total current assets	8,412,282	7,509,539	902,743	12.0%
Net capital assets	6,899,065	6,280,159	618,906	9.9%
Other non-current assets	27,754	39,682	(11,928)	(30.1%)
Total non-current assets	6,926,819	6,319,841	606,978	9.6%
Total assets	15,339,101	13,829,380	1,509,721	10.9%
Deferred outflows of resources	304,025	425,950	(121,925)	(28.6%)
Total	**$ 15,643,126**	**$ 14,255,330**	**$ 1,387,796**	**9.7%**
Current liabilities	$ 385,345	$ 393,056	$ (7,711)	(2.0%)
Non-current liabilities	1,208,957	1,072,307	136,650	12.7%
Total liabilities	1,594,302	1,465,363	128,939	8.8%
Deferred inflows of resources	565,981	915,508	(349,527)	(38.2%)
Net investment in capital assets	6,899,065	6,280,159	618,906	9.9%
Restricted net position	798,850	880,288	(81,438)	(9.3%)
Unrestricted net position	5,784,928	4,714,012	1,070,916	22.7%
Total net position	13,482,843	11,874,459	1,608,384	13.5%
Total	**$ 15,643,126**	**$ 14,255,330**	**$ 1,387,796**	**9.7%**

Assets increased by $1,509,721, deferred outflows of resources decreased by ($121,925), liabilities increased by $128,939, and deferred inflows of resources decreased by ($349,527). Cash and investments decreased a total of ($561,816). Current liabilities decreased by ($7,711). Non-current liabilities, including net pension and OPEB liability and accrued compensated absences, increased by $136,650.

Net capital assets, which include the Authority's buildings, improvements, furniture and equipment increased by $618,906 during the year. The capital asset balance increased by $1,258,433 during the year representing the purchase of new assets that are primarily improvements to public housing buildings and land. Construction in progress increased by $15,008. The capital asset balance decreased by ($991,172), representing the disposition of assets. Capital assets balance also decreased during the year by $498,092 for the annual depreciation expense.

Net position of the Authority increased by $1,608,384 during the year. This balance includes an increase of $618,906 for investments in capital assets and an increase of $989,478 for restricted and unrestricted net position. Net investments in capital assets are defined as the total purchase price of the capital assets owned reduced by the accumulated depreciation on those assets less the balance of debt relating to these assets.

Revenues, Expenses, and Changes in Net Position

The following schedule compares the revenues and expenses for the current and previous fiscal year:

			Change	
	2022	**2021**	**Dollar**	**Percentage**
Net rental revenue	$ 1,596,005	$ 1,543,066	$ 52,939	3.4%
Operating grants and subsidies	5,404,160	5,693,210	(289,050)	(5.1%)
Other operating revenues	544,112	1,857,505	(1,313,393)	(70.7%)
Total operating revenues	7,544,277	9,093,781	(1,549,504)	(17.0%)
Depreciation expense	(498,091)	(482,162)	(15,929)	3.3%
Housing Assistance Payments	(3,731,143)	(4,019,488)	288,345	(7.2%)
Other operating expenses	(2,946,193)	(4,419,181)	1,472,988	(33.3%)
Total operating expenses	(7,175,427)	(8,920,831)	1,745,404	(19.6%)
Operating Income (Loss)	**368,850**	**172,950**	**195,900**	**(>100%)**
Investment income	16,061	285	15,776	>100%
Interest expense	-	-	-	0.0%
Other non-operating items	3,500	-	3,500	>100%
Income (Loss) Before Contributions and Other Items	**388,411**	**173,235**	**215,176**	**(>100%)**
Special items	(10,659)	(10,050)	(609)	6.1%
Net operating transfers	-	-	-	0.0%
Capital contributions	1,230,632	34,695	1,195,937	>100%
Change in Net Position	**$ 1,608,384**	**$ 197,880**	**$ 1,410,504**	**(>100%)**

The increase in net position for this fiscal year is $1,608,384 compared to an increase of $197,880 for last year.

CAPITAL ASSETS

As of year-end, we had $6,899,065 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of $618,906 from the end of last year:

			Change	
	2022	2021	Dollar	Percentage
Land	$ 1,116,958	$ 1,166,372	$ (49,414)	(4%)
Construction in progress	97,993	82,986	15,007	18%
Buildings and improvements	21,269,850	20,939,798	330,052	2%
Equipment and furnishings	852,288	865,666	(13,378)	(2%)
Accumulated depreciation	(16,438,024)	(16,774,663)	336,639	(2%)
Net Capital Assets	**$ 6,899,065**	**$ 6,280,159**	**$ 618,906**	**10%**

The change in Capital Assets is presented in detail in the Notes to the Financial Statements.

DEBT ADMINISTRATION

The Authority had the no amounts of debt outstanding as of yearend.

ECONOMIC FACTORS

Significant economic factors affecting us are as follows:

Federal funding by the Department of Housing and Urban Development.
Local labor supply and demand, which can affect salary and wage rates.
Local inflation, recession, and employment trends, which can affect resident incomes and therefore the amount of rental income.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Christian Edelblute, Executive Director for the West Valley Housing Authority. Specific requests may be submitted to the Finance Department at the West Valley Housing Authority, 204 S.W. Walnut Ave, Dallas, OR, 97338.

Assets and Deferred Outflows of Resources

Operating cash	$ 2,078,786
Restricted cash	340,803
Total cash and equivalents	2,419,589
Net accounts receivable	510,255
Investments - operating	4,776,828
Restricted investments	586,357
Prepaid expenses and other current assets	93,044
Inventories, net of allowances	26,209
Total current assets	8,412,282
Capital assets, at cost	
Land	1,116,958
Construction-in-progress	97,993
Buildings and improvements	21,269,850
Equipment and furnishings	852,288
Total acquisition costs	23,337,089
Less: accumulated depreciation	(16,438,024)
Net capital assets	6,899,065
Net other-post employment benefits asset	27,754
Total non-current assets	6,926,819
Total assets	15,339,101
Deferred outflows related to pension	290,844
Deferred outflows related to other-post employment benefits	13,181
Total deferred outflows of resources	304,025
Total Assets and Deferred Outflows of Resources	**$ 15,643,126**

See accompanying notes.

Liabilities, Deferred Inflows of Resources, and Net Position

Accounts payable	$ 202,094
Unearned revenues	83,374
Deposits held in trust, contra	55,375
Other current liabilities	24,957
Accrued vacations payable, current portion	19,545
Total current liabilities	385,345
Accrued vacations payable, net of current	58,642
Net pension liability	1,069,251
Net other-post employment benefits liability	49,794
Other long-term liabilities	31,270
Total non-current liabilities	1,208,957
Total liabilities	1,594,302
Deferred inflows related to pension	528,963
Deferred inflows related to other-post employment benefits	37,018
Total deferred inflows of resources	565,981
Net investment in capital assets	6,899,065
Restricted net position	798,850
Unrestricted net position	5,784,928
Total net position	13,482,843
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 15,643,126**

See accompanying notes.

Tenant rental revenue, net of collection losses	$ 1,596,005
Operating grants and subsidies	5,404,160
Other revenue	544,112
Total operating revenues	7,544,277
Administrative	1,126,073
Tenant services	73,023
Utilities	452,695
Ordinary maintenance and operations	844,802
Insurance premiums	102,328
Other general expenses	347,272
Housing Assistance Payments	3,731,143
Depreciation	498,091
Total operating expenses	7,175,427
Operating income (loss)	368,850
Investment income	16,061
Gains (losses) on disposition of assets	3,500
Total non-operating revenues (expenses)	19,561
Income (loss) before contributions and other items	388,411
Special items gains (losses)	(10,659)
Capital contributions	1,230,632
Change in Net Position	**$ 1,608,384**
Net position, beginning of year	$ 11,874,459
Change in net position	1,608,384
Net Position, End of Year	**$ 13,482,843**

See accompanying notes.

Cash receipts from tenants	$ 1,599,791
Cash receipts from grants	4,937,960
Cash payments for Housing Assistance Payments	(3,731,143)
Cash payments to suppliers for goods and services	(1,660,410)
Cash payments for wages and benefits	(1,373,132)
Other cash payments and receipts	752,412
Net cash from operating activities	525,478
Acquisition and construction of capital assets	(1,323,277)
Proceeds from disposition of capital assets	3,500
Capital contributions received	1,230,632
Net cash from capital and related financing activities	(89,145)
Interest/dividends on investments	16,061
Net (purchases)/proceeds of investments	(1,015,982)
Net cash from investing activities	(999,921)
Net change in cash and equivalents	(563,588)
Cash at beginning of period	2,983,177
Cash at End of Period	**$ 2,419,589**
Reconciliation of cash to the statement of net position:	
Cash and equivalents - operating	$ 2,078,786
Restricted cash and equivalents	340,803
Total Cash and Equivalents	**$ 2,419,589**

See accompanying notes.

Reconciliation of operating income (loss) to net cash from operating activities:		
Operating income (loss)	$	368,850
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation		498,091
Bad debt		12,735
Pension and other post-employment benefits		(101,404)
Gains/losses on asset dispositions		206,280
Contributed property		(156,439)
Insurance proceeds		145,780
Changes in operating assets and liabilities:		
Accounts receivable		(450,448)
Prepaid expenses and other assets		(19,715)
Inventories		1,351
Accounts payable		10,701
Accrued wages and benefits		25,307
Deposits held in trust, contra		(2,136)
Unearned revenues		(11,237)
Other liabilities		(2,238)
Net Cash from Operating Activities	**$**	**525,478**

See accompanying notes.

NOTE 01 - NATURE OF BUSINESS AND ORGANIZATION

The Housing Authority and Urban Renewal Agency of Polk County (Authority, we, us, our) was incorporated in 1950, pursuant to Oregon Revised Statutes (ORS) 456.085. The Authority was established to provide clean, decent, safe, sanitary, and affordable housing to low-income families. In 2001, the Authority changed its legal name to the West Valley Housing Authority.

The Board consists of five commissioners appointed by the Polk County Board of Commissioners. The Executive Director is appointed by the Board and is responsible for the daily functioning of the Authority.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs in the United States. Accordingly, HUD has contracted with us to administer certain HUD funds.

Our primary operations are comprised of the Housing Choice Voucher Program. This program is designed to aid very low-income families in obtaining decent, safe, and sanitary rental housing. We administer contracts with independent landlords that own property and rent that property to families that have applied for housing assistance. We subsidize the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable us to structure a lease that sets the participants' rent at 30% of household income.

In addition, we operate the Low Rent Housing Program. This program is designed to provide very low-income families in obtaining decent, safe, and sanitary rental housing. The Low Rent Housing Program operates the Authority’s own rental housing units subsidized by HUD through an Annual Contributions Contract (ACC). Funding is provided by tenant rent payments and subsidies provided by HUD based upon a formula that takes into consideration factors such as: prior formula funding, population of the area, number of dwelling units, bedroom sizes, building height and building age, utility costs, and rental income.

The Low Rent Housing Program is supplemented by the Capital Fund Program. The purpose of this program is to utilize funds granted by HUD for remodeling and upgrading the facilities in the Low Rent Housing Program, as well as to support overall operations. These grant funds are authorized by HUD each year but can be spent over the course of several years.

In addition, the Authority operates other non-federal housing programs.

Reporting Entity

As described in GASB Statement No. 34, paragraph 134, the Authority is considered a primary government and meets the definition of a special purpose government ("SPG"). The Authority is a legally separate entity that is engaged in only business-type activities. Business-type activities are defined as activities that are financed in whole or in part by fees charged to external parties for goods or services. SPGs engaged only in business-type activities are required to present only the financial statements required for proprietary funds, which includes Management's Discussion and Analysis ("MD&A"), basic financial statements, and Required Supplemental Information ("RSI"). All inter-program activities have been eliminated in these financial statements.

We are an independent agency, with operations separate from those of Polk County (County). Our obligations, including loans through direct borrowing or the sale of bonds, are not the obligations of the County. The County provides us with no funding. Additionally, the County does not hold title to any of our assets, nor do they have any right to our surpluses. The County does not have the ability to exercise influence over our daily operations or approve our budgets.

Management applied the criteria of GASB Statement No. 14, *The Financial Reporting Entity,* Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14,* Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14* to determine whether the component units should be reported as blended or discretely presented component units. The criteria included whether the Authority appoints the voting majority of the governing board, there is a financial benefit/burden relationship, the Authority is able to impose its will, the component unit is fiscally dependent on the Authority, the component unit's governing body is substantially the same as the Authority, and management of the Authority have operational responsibility for the activities of the component unit. These criteria were used to determine the following:

Blended Component Units:

Affordable Housing of West Valley, Inc. (AHWV) - This is a legally separate Corporation that is a 501(c)(3) not-for-profit corporation. The board of the corporation is nearly identical to the board of the Authority. The purpose is to provide affordable housing for low-income persons. AHWV shares the December 31st, year-end with the Authority. There are no separately issued audited financial statements for this entity, however a copy of the most recent informational tax return (Form 990) can be obtained from staff at our office.

AHWV is the sole member of La Creole Townhomes Associates, LLC. (LCTA), formed March 2022, for the purpose of providing affordable housing for low-income, disabled, elderly and homeless persons in Polk County through development partnerships, as well as acquiring, developing, rehabilitating, owning, managing, and selling affordable housing. LCTA shares the December 31st, year-end with AHWV. There are no separately issued audited financial statements for this entity, however a copy of the most recent tax return can be obtained from staff at our office. LCTA has been consolidated into the financials of AHWV in the accompanying condensed combining statements.

NOTE 02 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accrual Basis of Accounting

The financial statements are presented using the accrual basis of accounting with an economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. As permitted by accounting principles generally accepted in the United States of America (GAAP), the Authority has elected to apply all relevant Government Accounting Standards Board (GASB) pronouncements.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from grant agreements, providing services, and producing and delivering goods in connection with the ongoing principal operations. The principal operating revenues of the Authority include program specific grants, rental income from tenants of the various housing projects. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles as applied to governmental units require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in Money Market funds, and Certificates of Deposit.

Restricted Cash

Restricted cash consists of cash and investments that are held in trust, reserves, and escrows, as well as other cash and investments that are restricted for specific purposes.

Accounts Receivable from Tenants

Accounts receivable consists of all amounts earned at year end and not yet received. Allowances for uncollectible accounts are based upon historical trends and periodic aging of accounts receivable.

In accordance with Governmental Accounting Standards Board Statement No. 34, revenues in proprietary funds should be reported as net of all related allowances, which include amounts pertaining to uncollectible accounts. Therefore, the increase and decrease in the estimate of uncollectible accounts should be reported net of revenue instead of bad debt expense. The Authority's bad debt expense charged against revenue was $12,735 for the year ended December 31, 2022.

Accounts Receivable from HUD and Other Governments

The amounts reported as accounts receivable from HUD or due from other governments represent reimbursable costs or grant subsidies earned that have not been received as of year-end; these amounts are considered fully collectible.

Prepaid Expenses

When applicable, prepaid expenses represent payments made to vendors for services that will provide a future benefit beyond December 31, 2022.

Inventories

Inventories are accounted for under the consumption method and recorded at the lower of cost or market. Materials and supplies are recorded as inventories when purchased and as expenditures when used. The Authority has reported an allowance for inventories of $1,380 as of December 31, 2022.

Provision for Uncollectible Notes

A note receivable is considered impaired when, based on current information, it is probable that all amounts of principal and interest due will not be collected according to the terms of the note agreement. Uncollectible notes are charged to the allowance account in the period such determination is made.

Currently, an allowance for the total balance of notes receivable has been made.

Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of exhaustible capital assets is charged as an expense against operations utilizing the straight-line method. Accumulated depreciation is reported on the Statement of Net Position. The estimated useful lives for each major class of depreciable fixed assets are as follows:

Building	20-30 years
Improvements	10-15 years
Vehicles and other equipment	7 years
Computers	5 years

Impairment of Capital Assets

The Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of December 31, 2022, there has been no impairment of the capital assets.

Tenant Security Deposits

Security deposits consist of amounts held in trust with the Authority for tenants to secure apartment leases.

Compensated Absences

Compensated absences are absences for which employees will be paid, e.g., sick leave, vacation, and other approved leave. In accordance with GASB Statement No.16, *Accounting for Compensated Absences*, we accrue the liability for those absences for which the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation is recorded as an expense and related liability in the year earned by employees.

Unearned Revenue

Unearned revenues consist of rental payments made by tenants in advance of their due date, and/or rental subsidies received in advance of the period earned.

Family Self-Sufficiency Escrow Deposits

The Authority under the Section 8 Housing Choice Voucher and Public and Indian Housing programs is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the Authority for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the Authority during the term of the FSS contract. The Authority may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education.

If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the Authority terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

The deferred outflows of resources related to the net pension liability resulted from Authority contributions to the employee pension plan subsequent to the measurement date of the actuarial valuation for the pension plan, the difference between actual and expected, the effect of changes in actuarial assumptions, and the effect of the Authority's change in proportion. The deferred outflows related to the net pension liability will be deferred and amortized as detailed in Note 8 to the financial statements.

The deferred outflows of resources related to the net OPEB obligation resulted from the effect of changes in actuarial assumptions. The deferred outflows related to the net pension obligation will be deferred and amortized as detailed in Note 10 to the financial statements.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until then.

The deferred inflow of resources related to the net pension liability results from and the difference between actual and expected experience and difference between projected and actual earnings on pension plan investments, the effect of changes in actuarial assumptions, the change in the Authority's proportionate share of pension contributions and the effect of the change in the Authority's proportion. These amounts are deferred and amortized as detailed in Note 8 to the financial statements.

The deferred inflows of resources related to the net OPEB obligation resulted from the differences between expected and actual experience in measurements. The deferred inflows related to the net pension obligation will be deferred and amortized as detailed in Note 10 to the financial statements.

Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Oregon Public Employees' Retirement System ("PERS") plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of our plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In the statement of net position, equity is classified as net position and displayed in three components: (1) Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets. (2) Restricted net position consists of assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. (3) Unrestricted net position – All other assets that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted net positions are available for use, generally it is our policy to use restricted resources first.

Leases

Leases are recognized in accordance with GASB Statement No. 87, Leases.

A lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease receivable is recognized at the net present value of the leased asset at a borrowing rate either explicitly described in the agreement or implicitly determined by the Authority and is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments relating to a future period which were received prior to the lease commencement. These deferred inflow of resources are amortized equal to the amount of the annual payments.

A lessee is required to recognize a lease payable and an intangible right-to-use lease asset. A lease payable is recognized at the net present value of future lease payments and is adjusted over time by interest and payments. Future lease payments include fixed payments, variable payments based on index or rate, reasonably certain residual guarantees. The right-to-use asset is initially recorded at the amount of the lease liability plus prepayments less any lease incentives received prior to lease commencement and is subsequently amortized over the life of the lease.

All existing and newly acquired leases during the current fiscal year were analyzed and classified as either qualified or non-qualified leases, for both lessor and lessee positions. It was determined that all qualified leases were trivial to the accompanying financial statements and as such, were not accounted for in accordance with GASB 87.

Additionally, we are the lessor of dwelling units to eligible residents. The rents under the leases are determined generally by the residents' income as adjusted for eligible deductions regulated by HUD, although the residents may opt for a flat rent. These leases may be cancelled at any time (only for cause) or renewed annually, and therefore were determined to be unqualified leases. Revenues associated with these leases are reported in the accompanying financial statements and related schedules within dwelling rent revenue.

Authorized Investments

Investments of the Authority are limited to investment types prescribed by HUD in PIH Notice 1996-33 or as amended by future HUD notices.

Additionally, the Authority limits investment types to those that are authorized in accordance with Chapter 456 of the Oregon Revised Statutes.

Investment Policy

Our investment policy is written in conformance with HUD regulations and ORS Chapter 456 and is operated in conformance with ORS and applicable Federal Law. Specifically, our investment policy is written in conformance with ORS Chapter 294 – County and Municipal Financial Administrations, which allows for federal funds to be invested in securities permitted under Oregon state law.

Fair Value Measurements

Generally Accepted Accounting Principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs that have the lowest priority and consist of unobservable inputs for an asset or liability.

The Authority's investments are measured at Level 2.

Internal Activity and Balances

All transfers, intercompany charges and other interfund activity balances have been eliminated from the basic financial statements in accordance with GASB pronouncements.

Income Taxes

We are not subject to federal or state income taxes.

Subsequent Events

We have evaluated subsequent events through July 14, 2023, the date the financial statements were available to be issued.

Adoption of GASB Pronouncements

GASB Statement No. 87, Leases. This statement was issued June 2017, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Previous standards define leases as either capital leases or operating leases. Capital lease obligations were previously recorded at the lesser of present value of minimum lease payments or fair value of the leased property at inception. Operating leases not meeting the criteria of a capital lease were classified as operating leases.

Impact to net position – in accordance with Statement No. 87, leases that do not transfer ownership of the underlying asset are now classified as short-term (non-valuated) or long-term (valuated, generally). For valuated leases, lessees recognize an intangible right-of-use asset and a lease liability measured at the net present value of future lease payments, while lessors recognize a lease receivable and a deferred inflow of resources at the net present value of future lease receipts. Non-valuated leases are functionally similar to leases previously classified as "operating" and record inflows and outflows of resources during each period, for both the lessee and lessor. As such, there is no material impact to net position to implement this standard.

GASB Statement No. 101, Compensated Absences. This statement was issued June 2022, to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Other requirements include that a liability for certain types of compensated absences not be recognized until the leave commences, and that a liability for specific types of compensated absences not be recognized until the leave is used. The implementation of this Statement had no impact on the Authority.

NOTE 03 - RESTRICTED CASH

The following schedule presents the breakdown of restricted cash as of yearend:

Emergency Housing Voucher advance funding	$	26,250
Cash in the Family Self Sufficiency (FSS) escrow account		30,627
Tenant security deposits		55,375
Restricted for payment of current liabilities		43,812
Restricted cash with offsetting liabilities		**156,064**
Specified for modernization and development activities		90,150
Cash balances associated with the HCV HAP equity		56,318
Cash balances associated with the EHV HAP equity		35,311
Cash balances associated with the MSV HAP equity		2,317
Other		643
Restricted cash reflected in restricted net position		184,739
Total Restricted Cash and Equivalents	**$**	**340,803**

NOTE 04 - ACCOUNTS RECEIVABLE

Accounts receivable as of yearend were comprised of the following:

Receivables from HUD	$	463,126
Receivables from other governments		2,017
Tenant receivables		16,936
Allowance for doubtful accounts - tenants		(1,694)
Net tenant receivables		15,242
Fraud recovery receivables		29,820
Other receivables		50
Net Accounts Receivable	**$**	**510,255**

NOTE 05 - NOTES RECEIVABLE

At yearend, notes receivable were comprised of the following:

	Principal	Interest Receivable
In October 2022, the Authority entered into a ground lease promissory note with La Creole Townhomes, LP (related party) in the amount of $2,900,000. The note is secured by the Project and is payable in the amount of $1 annually until maturity in November 2121.*	$ 2,427,344	$ -
Total	2,427,344	-
Allowance for uncollectible amounts	(2,427,344)	-
Net	**$ -**	**$ -**

* Note is considered impaired, it is probable that all amounts of principal and/or interest due will not be collected according to the terms of the note agreement. Therefore an allowance has been deemed necessary.

NOTE 06 - CAPITAL ASSETS

A summary of the land, structures and equipment for the year is as follows:

	12/31/21	Additions	Deletions	12/31/22
Non-Depreciable				
Land	$ 1,166,372	$ -	$ (49,414)	$ 1,116,958
Construction in process	82,986	1,295,477	(1,280,470)	97,993
	1,249,358	1,295,477	(1,329,884)	1,214,951
Depreciable				
Buildings and improvements	20,939,798	1,230,632	(900,580)	21,269,850
Equipment and furnishings	865,666	27,800	(41,178)	852,288
	21,805,464	1,258,432	(941,758)	22,122,138
Total acquisition costs	23,054,822	2,553,909	(2,271,642)	23,337,089
Accumulated depreciation	(16,774,663)	(498,091)	834,730	(16,438,024)
Net Capital Assets	**$ 6,280,159**	**$ 2,055,818**	**$ (1,436,912)**	**$ 6,899,065**

All public housing land and buildings are currently encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the federal government and to protect other interests of the federal government.

When present, construction-in-progress is primarily comprised of various modernization, rehabilitation, and development costs that we deemed capitalizable in accordance with our capitalization policy.

NOTE 07 - LONG-TERM LIABILITIES

Changes in long-term liabilities are summarized below:

	12/31/21	Additions	Reductions	12/31/22
FSS escrow deposits, contra	$ 37,123	$ -	$ (6,496)	$ 30,627
Miscellaneous	643	-	-	643
Other Long-Term Liabilities	**$ 37,766**	**$ -**	**$ (6,496)**	**$ 31,270**
Net pension obligation	$ 961,182	$ 108,069	$ -	$ 1,069,251
Net OPEB obligation	$ 43,593	$ 6,201	$ -	$ 49,794

NOTE 08 - DEFINED BENEFIT PENSION PLAN

The Authority participates in a cost sharing multiple-employer defined benefit plan through the Oregon Public Employees' Retirement System (PERS) which covers substantially all regular full-time employees of the Authority. PERS acts as a common investment and administrative agent for participating public entities with the State of Oregon and reports information to the Authority in accordance with reporting standards established by the Governmental Accounting Standards Board (GASB).

As of December 31, 2022, the Authority's proportionate share of the net pension liability, pension expense and deferred inflows of resources and deferred outflows of resources for the above plan is as follows:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense (Credit)
PERS	$ 1,069,251	$ 290,844	$ 528,963	$ 66,913

Comprehensive Plan Information

Information regarding the following items for the Plan is publicly available in a separate comprehensive annual financial report for measurement date June 30, 2022. A copy of the PERS annual financial report may be online at https://www.oregon.gov/pers.

Plan description and benefits provided;
Contribution rates;
Actuarial methods and assumptions; and
Plan asset target allocations and expected returns.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 51,904	$ 6,668
Effect of changes in assumptions	167,771	1,533
Differences between projected and actual investment earnings	-	191,161
Effect of changes in proportions	26,958	192,335
Differences between proportionate share and actual contributions	-	137,266
Contributions subsequent to measurement date	44,211	-
	$ 290,844	**$ 528,963**

The deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability next year.

The deferred inflows of resources and outflows of resources will be recognized in pension expense as follows:

2023	$ (85,460)
2024	(75,756)
2025	(133,095)
2026	36,731
2027	(24,750)
Thereafter	-
	$ (282,330)

Changes of Assumptions

The following presents the Authority's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

	1% Decrease 5.90%	Current Rate 6.90%	1% Increase 7.90%
PERS	$ 1,896,224	$ 1,069,251	$ 377,113

NOTE 09 - DEFINED CONTRIBUTION PENSION PLAN

The Authority participates in the defined contribution plan through the Oregon Public Service Retirement Plan Individual Account Program (IAP) which covers substantially all regular full-time employees of the Authority.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings.

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

Forfeitures are allowed to be used to pay for certain administrative expenses incurred by the plan such as: auditing, accounting, recordkeeping fees, or fees for annual administration and compliance services. The forfeiture funds can also be used to reduce the Authority's contributions to the plan, or they can be reallocated back to the remaining eligible participants as an additional contribution.

The Authority makes contributions of 6 percent of covered payroll. Contributions for the year ended December 31, 2022, were $55,175.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

The other postemployment benefits (OPEB) for the Authority combines two separate plans. The Authority provides an implicit rate subsidy for retiree Health Insurance Continuation (HIC) premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined benefit plan (Retirement Health Insurance Account or RHIA).

As of December 31, 2022, the Authority's proportionate share of the net pension liability (asset), pension expense (credit) and deferred inflows of resources and deferred outflows of resources for the above plan is as follows:

	Net OPEB Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense (Credit)
HIC	$ 49,794	$ 6,812	$ 33,224	$ 418
RHIA	(27,754)	6,369	3,794	2,447
Total	**$ 22,040**	**$ 13,181**	**$ 37,018**	**$ 2,865**

RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)

Comprehensive Plan Information

Information regarding the following items for the OPEB-RHIA is publicly available in a separate comprehensive annual financial report for measurement date June 30, 2022. A copy of the PERS annual financial report may be online at https://www.oregon.gov/pers.

Plan description and benefits provided;
Contribution rates; and
Actuarial methods and assumptions; and
Plan asset target allocations and expected returns.

Sensitivity of the OPEB-RHIA to Changes in the Discount Rate
The following presents the OPEB-RHIA of the Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Discount Rate	1% Increase
RHIA	$ (25,015)	$ (27,754)	$ (30,103)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB-RHIA liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 752
Effect of changes in assumptions	217	925
Differences between projected and actual investment earnings	-	2,117
Changes in proportionate share	6,051	-
Subsequent contributions	101	-
	$ 6,369	**$ 3,794**

The deferred inflows of resources and outflows of resources will be recognized in OPEB expense as follows:

2023	$	2,520
2024		612
2025		(1,336)
2026		678
2027		-
Thereafter		-
	$	**2,474**

HEALTH INSURANCE CONTINUATION (HIC)

Plan Description and Benefits Provided

The Authority has a Health Insurance Continuation (HIC) option available for most groups of retirees. It is a substantive postemployment benefit plan offered under Oregon Revised Statutes (ORS) 243. ORS 243.303 requires the Authority to provide retirees and their dependents with an opportunity to participate in group health and dental insurance from the date of retirement to age 65. The rate is calculated using claim experiences from retirees and active employees for health plan rating purposes. Providing the same rate to retirees as current employees constitutes an implicit rate subsidy for OPEB. This single-employer "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

Changes in the OPEB-HIC Liability

The changes in the OPEB-HIC liability is as follows:

		Total OPEB-HIC Liability
Balance at December 31, 2021	$	43,593
Changes recognized for measurement period:		
Service cost		6,183
Interest		1,042
Effect of changes to benefit terms		-
Effect of economic/demographic gains or losses		-
Effect of assumptions changes or inputs		207
Benefit payments		(1,231)
Balance at December 31, 2022	**$**	**49,794**

Sensitivity of the OPEB-HIC Liability to Changes in the Discount Rate

The following presents the OPEB-HIC liability of the Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Discount Rate	1% Increase
HIC	$ 53,344	$ 49,794	$ 46,411

Sensitivity of the OPEB-HIC Liability to Changes in the Health Care Cost Trend Rates

The following presents the OPEB-HIC liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
HIC	$ 43,601	$ 49,794	$ 57,188

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB-HIC liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 21,351
Effect of changes in assumptions	4,147	11,873
Benefit payments	2,665	-
	$ 6,812	**$ 33,224**

The deferred inflows of resources and outflows of resources will be recognized in OPEB expense as follows:

2023	$ (6,807)
2024	(6,807)
2025	(6,848)
2026	(4,978)
2027	(3,298)
Thereafter	(339)
	$ (29,077)

Actuarial Methods and Assumptions

The Authority's OPEB-HIC obligation was measured and valued based on the following actuarial methods and assumptions:

Valuation date	July 1, 2020
Measurement date	December 31, 2021
Actuarial cost method	Entry Age Normal
Inflation	2.50%
Investment return/discount rate	2.06%
Healthcare trend	Based on long-term healthcare trend rates generated by the Society of Actuaries' Getzen Trend Model.
Payroll increase	3.50%

NOTE 11 - NET POSITION

Net investment in capital assets was comprised of the following as of yearend:

Land	$ 1,116,958
Construction in progress	97,993
Buildings and improvements	21,269,850
Equipment and furnishings	852,288
Less:	
Accumulated depreciation	(16,438,024)
Net Investment in Capital Assets	**$ 6,899,065**

Restricted net position was comprised of the following as of yearend:

Restricted cash and equivalents	$ 340,803
Restricted investments	586,357
Net OPEB asset	27,754
Less:	
Tenant security deposit, contra	(55,375)
Family Self-Sufficiency escrow deposits, contra	(30,627)
Current liability cash, contra	(43,812)
Emergency Housing Voucher advance funding	(26,250)
Restricted Net Position	**$ 798,850**

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Government Examinations

We have received funds from Federal grant programs. It is possible that at some future date, it may be determined that we were not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although we do not expect such disallowed amounts, if any, to materially affect the financial statements.

Construction Contracts

During the normal course of business, the Authority is engaged in various construction contracts for rehabilitation and modernization of various properties owned by the Authority.

NOTE 13 - BUSINESS RISK AND CONCENTRATIONS

Risk Management

We are exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public official's liability forms are used to cover the respective perils.

Also, commercial carriers insure all other common perils such as business, auto, flood (where applicable), and other miscellaneous policies.

Concentration – Major Contributor

For the year ended December 31, 2022, approximately 88% of operating revenues reflected in the financial statements are from HUD. The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules, and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Our policy is to manage this exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is our policy to follow the HUD and ORS regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the United States of America.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, our deposits may not be returned. Our policy for custodial credit risk requires collateral to be held in our name by its agent or by the bank's trust department.

NOTE 14 - CONDENSED COMBINING STATEMENTS – BUSINESS ACTIVITIES

Condensed combining financial statements are presented for the following entities for the fiscal year ends below:

West Valley Housing Authority (Authority) .... December 31, 2022
Affordable Housing of West Valley Inc. (AHWV) .... December 31, 2022

	AUTHORITY	AHWV	ELIM	TOTAL
Cash and equivalents	$ 2,419,589	$ -	$ -	$ 2,419,589
Intercompany receivables	26,222	-	(26,222)	-
Other current assets	5,992,533	160	-	5,992,693
Total current assets	8,438,344	160	(26,222)	8,412,282
Net capital assets	6,899,065	-	-	6,899,065
Other non-current assets	27,754	-	-	27,754
Total assets	15,365,163	160	(26,222)	15,339,101
Deferred outflows of resources	304,025	-	-	304,025
Total Assets and Deferred Outflows of Resources	**$ 15,669,188**	**$ 160**	**$ (26,222)**	**$ 15,643,126**
Intercompany payables	$ 25,445	$ 777	$ (26,222)	$ -
Other current liabilities	382,971	2,374	-	385,345
Total current liabilities	408,416	3,151	(26,222)	385,345
Total non-current liabilities	1,208,957	-	-	1,208,957
Total liabilities	1,617,373	3,151	(26,222)	1,594,302
Deferred inflows of resources	565,981	-	-	565,981
Net investment in capital assets	6,899,065	-	-	6,899,065
Restricted	798,850	-	-	798,850
Unrestricted	5,787,919	(2,991)	-	5,784,928
Total net position	13,485,834	(2,991)	-	13,482,843
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 15,669,188**	**$ 160**	**$ (26,222)**	**$ 15,643,126**

	AUTHORITY	AHWV	ELIM	TOTAL
Operating revenues	$ 7,544,277	$ -	$ -	$ 7,544,277
Operating expenses	7,172,436	2,991	-	7,175,427
Operating income (loss)	371,841	(2,991)	-	368,850
Non-operating revenues (expenses)	19,561	-	-	19,561
Income (loss) before contributions and other items	391,402	(2,991)	-	388,411
Contributions, transfers, and other items	1,219,973	-	-	1,219,973
Change in Net Position	**$ 1,611,375**	**$ (2,991)**	**$ -**	**$ 1,608,384**
Net position, beginning of year	$ 11,874,459	$ -	$ -	$ 11,874,459
Change in net position	1,611,375	(2,991)	-	1,608,384
Prior-period restatements	-	-	-	-
Equity transfers	-	-	-	-
Net Position, End of Year	**$ 13,485,834**	**$ (2,991)**	**$ -**	**$ 13,482,843**

	AUTHORITY	AHWV	ELIM	TOTAL
Net cash from operating activities	$ 525,478	$ -	$ -	$ 525,478
Net cash from capital and related financing activities	(89,145)	-	-	(89,145)
Net cash from non-capital financing activities	-	-	-	-
Net cash from investing activities	(999,921)	-	-	(999,921)
Net change in cash	(563,588)	-	-	(563,588)
Cash at beginning of period	2,983,177	-	-	2,983,177
Cash at End of Period	**$ 2,419,589**	**$ -**	**$ -**	**$ 2,419,589**

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

Plan Measurement Date as of June 30	Proportion of Liability	Proportionate Share of Liability (Asset)	Covered Employee Payroll	Proportionate Share of the Liability as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.012141%	$ 1,136,027	$ 956,618	119%	92%
2015	0.009473%	$ 1,276,953	$ 881,049	145%	104%
2016	0.007567%	$ 1,136,027	$ 915,337	124%	81%
2017	0.009473%	$ 1,276,953	$ 927,053	138%	83%
2018	0.009349%	$ 1,416,229	$ 875,218	162%	81%
2019	0.007612%	$ 1,316,659	$ 901,509	146%	80%
2020	0.008041%	$ 1,754,738	$ 892,732	197%	76%
2021	0.008032%	$ 961,182	$ 852,128	113%	88%
2022	0.006983%	$ 1,069,251	$ 877,648	122%	85%

SCHEDULE OF PENSION PLAN'S CONTRIBUTIONS

Plan Measurement Date as of June 30	Actuarially Determined Contribution [A]	Contributions in Relation to Actuarially Determined Contribution [B]	Contribution Deficiency (Excess) [C]=[A]-[B]	Covered-Employee Payroll	Contribution as a Percentage Covered-Employees Payroll
2014	$ 95,247	$ 95,247	$ -	$ 956,618	10%
2015	$ 87,511	$ 87,511	$ -	$ 881,049	10%
2016	$ 106,508	$ 106,508	$ -	$ 915,337	12%
2017	$ 109,843	$ 109,843	$ -	$ 927,053	12%
2018	$ 141,967	$ 141,967	$ -	$ 875,218	16%
2019	$ 90,975	$ 90,975	$ -	$ 901,509	10%
2020	$ 92,501	$ 92,501	$ -	$ 892,732	10%
2021	$ 82,734	$ 82,734	$ -	$ 852,128	10%
2022	$ 86,691	$ 86,691	$ -	$ 877,648	10%

NOTE 01 - CHANGE IN BENEFITS

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015, to be reduced. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015, compared to June 30, 2014, total pension liability.

NOTE 02 - CHANGE IN ASSUMPTIONS

The PERS Board adopted assumption changes that were used to measure the June 30, 2016, total pension liability and June 30, 2018, total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. For June 30, 2021, the long-term expected rate of return was lowered to 6.90 percent, and the inflation rate was lowered from 2.5 to 2.4 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY (ASSET)

RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)

Plan Measurement Date as of June 30	Proportion of Liability/Asset	Proportionate Share of Liability (Asset)	Covered Employee Payroll	Proportionate Share of the Liability (Asset) as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Liability (Asset)
2017	0.008765%	$ (3,658)	$ 927,053	0%	109%
2018	0.007788%	$ (8,694)	$ 875,218	-1%	124%
2019	0.007255%	$ (14,019)	$ 901,509	-2%	144%
2020	0.012244%	$ (24,948)	$ 892,732	-3%	150%
2021	0.011555%	$ (39,682)	$ 852,128	-5%	184%
2022	0.007811%	$ (27,754)	$ 877,648	-3%	195%

SCHEDULE OF OPEB PLAN'S CONTRIBUTIONS

RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)

Plan Measurement Date as of June 30	Actuarially Determined Contribution [A]	Contributions in Relation to Actuarially Determined Contribution [B]	Contribution Deficiency (Excess) [C]=[A]-[B]	Covered-Employee Payroll	Contribution as a Percentage Covered-Employees Payroll
2017	$ 4,364	$ 4,364	$ -	$ 927,053	0%
2018	$ 4,713	$ 4,713	$ -	$ 875,218	1%
2019	$ 1,876	$ 1,876	$ -	$ 901,509	0%
2020	$ 226	$ 226	$ -	$ 892,732	0%
2021	$ 201	$ 201	$ -	$ 852,128	0%
2022	$ 2,447	$ 2,447	$ -	$ 877,648	0%

NOTE 01 - CHANGES IN ASSUMPTIONS

The assumed average annual future long-term investment return was 6.9%. Assumed administrative expenses were updated for both Tier1/Tier 2 and OPSRP. Mortality assumptions were changed to reflect updated base tables and mortality improvement projection scales for all groups. Termination, disability, and retirement rates were updated for some groups to more closely match observed experience.

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

HEALTH INSURANCE CONTINUATION (HIC)

Measurement period:	2018	2019	2020	2021
Total OPEB Liability (Asset)				
Service cost	$ 5,162	$ 5,414	$ 5,381	$ 6,859
Interest	2,765	2,804	2,342	1,906
Experience (gains)/losses	-	(23,588)	-	(14,399)
Changes of assumptions	119	(7,155)	5,582	(11,880)
Benefit payments	924	(2,156)	(1,481)	(3,200)
Net change in total OPEB liability	8,970	(24,681)	11,824	(20,714)
Total OPEB liability - beginning	68,194	77,164	52,483	64,307
Total OPEB liability - ending	77,164	52,483	64,307	43,593
Plan fiduciary net position	-	-	-	-
Net OPEB Liability (Asset)	**$ 77,164**	**$ 52,483**	**$ 64,307**	**$ 43,593**
Covered-employee payroll	$ 875,218	$ 901,509	$ 892,732	$ 852,128
Total OPEB liability as a percentage of covered payroll	8.8%	5.8%	7.2%	5.1%

Measurement period:	2022
Total OPEB Liability (Asset)	
Service cost	$ 6,183
Interest	1,042
Experience (gains)/losses	-
Changes of assumptions	207
Benefit payments	(1,231)
Net change in total OPEB liability	6,201
Total OPEB liability - beginning	43,593
Total OPEB liability - ending	49,794
Plan fiduciary net position	-
Net OPEB Liability (Asset)	**$ 49,794**
Covered-employee payroll	$ 877,648
Total OPEB liability as a percentage of covered payroll	5.7%

NOTE 01 - ASSETS

There are no assets accumulated in a trust that meet the criteria of GASB codification P22.101 or P52.101 to pay-related benefits for the OPEB-HIC plan.

NOTE 02 - CHANGES IN ASSUMPTIONS

There were a number of changes in the demographic and economic actuarial assumptions used in the previous year's valuation report which are assumed to continue to be appropriate. These include the following:

Expected Claims and Premiums updated to reflect changes in available benefits and premium levels. If applicable, expected retiree and dependent costs were updated to reflect current health cost guidelines.

Health Care Cost Trend was updated to reflect changes in current premium levels, as well as future expected economic and regulatory conditions.

Mortality, Withdrawal, and Retirement Rates updated to reflect assumptions used in the Oregon PERS December 31, 2019, actuarial valuation.

The data processing assumptions for missing dates of hire and inconsistent or missing PERS tier information were updated to provide a better approximation for missing or inconsistent data.

Program Title	ALN	Cluster Title	Award Type	Pass-Through No.	Expenditures	Amounts Passed Through to Sub-Recipients
Section 8 Housing Choice Vouchers	14.871	HVC	Direct		$ 4,131,964	$ -
COVID-19 Section 8 Housing Choice Vouchers	14.871	HVC	Direct		21,499	-
Emergency Housing Vouchers	14.871	HVC	Direct		250	-
Total Section 8 Housing Choice Vouchers					4,153,713	-
Mainstream Vouchers	14.879	HVC	Direct		63,879	-
Public and Indian Housing	14.850		Direct		992,765	-
Public Housing Capital Fund	14.872		Direct		1,352,435	-
Family Self-Sufficiency Program	14.896		Direct		72,000	-
Total Federal Financial Assistance					**$ 6,634,792**	**$ -**

Federal Grantor:	**Expenditures**
US Department of Housing and Urban Development	$ 6,634,792
Cluster Title:	**Expenditures**
Housing Voucher Cluster	$ 4,217,592
Award Type:	**Expenditures**
Direct	$ 6,634,792

NOTE 01 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Authority under programs of the federal government for the year ended December 31, 2022. The information in this 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 our operations, it is not intended to and does not present our financial position, changes in net positions, or cash flows.

NOTE 02 - INDIRECT COST RATE

We have elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

1. The Actual Costs of the Authority was as follows:

Grant	**Funds Approved**	**Funds Disbursed**	**Funds Expended**	**Balance**
OR16P008501-19	$ 687,814	$ 566,061	$ 566,061	$ 121,753
OR16P008501-20	$ 742,902	$ 326,276	$ 326,276	$ 416,626
OR16P008501-21	$ 764,305	$ 278,168	$ 582,925	$ 486,137
OR16P008501-22	$ 939,372	$ -	$ -	$ 939,372

2. The distribution of costs as shown on the Financial Statement of Costs accompanying the Actual Cost Certificate submitted to HUD for approval, is in agreement with the Authority's records.

3. For the above completed grants, all costs have been paid and all related liabilities have been discharged through payment.

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INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

The Governing Body of
West Valley Housing Authority

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 of the West Valley Housing Authority (Authority), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 14, 2023.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 to 162-010-0330, of the Minimum Standards for Audits of Oregon Municipal Corporations, 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to, the following: (1) Public fund deposits; (2) Indebtedness; (3) Insurance and fidelity bonds; (4) Programs funded from outside sources; (5) Investments; and (6) Public contracts and purchasing.

In connection with our testing, nothing came to our attention that caused us to believe Authority was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of ORS as specified in OAR 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing auditing 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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. Accordingly, this communication is not suitable for any other purpose.

Smith Marion & Co.

July 14, 2023
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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*

The Governing Body of
West Valley Housing Authority

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 of the West Valley Housing Authority (Authority), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 14, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing auditing 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

The Governing Body of
West Valley Housing Authority

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited West Valley Housing Authority's (Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2022. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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.

AUDITOR'S 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 GAAS, *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 GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

(1) Exercise professional judgment and maintain professional skepticism throughout the audit; (2) 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; and (3) 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. 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.

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.

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.

Smith Marion & Co.

July 14, 2023
Redlands, CA

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1. Type of Auditor Report on the financial statements: Unmodified

2. Internal control over financial reporting:
   a. Material weakness(es) identified? [ ] Yes [x] No
   b. Significant deficiency(ies) identified that are not considered to be material weaknesses? [ ] Yes [x] None noted

3. Noncompliance material to financial statements? [ ] Yes [x] No

Federal Awards:

4. Type of auditors' report on compliance for major programs: Unmodified

5. Internal control over major programs:
   a. Material weakness(es) identified? [ ] Yes [x] No
   b. Significant deficiency(ies) identified that are not considered to be material weaknesses? [ ] Yes [x] None noted

6. Audit findings noted which are required to be reported in accordance with 2 CFR Section 200.516(a)? [ ] Yes [x] No

7. Identification of Major Programs:

ALN	Program(s) Name
14.850	Public and Indian Housing
14.872	Public and Indian Housing Capital Fund Program

8. The Dollar Threshold Used to Distinguish Between Type A and Type B Programs: $ 750,000

9. Auditee qualified as a low-risk auditee? [x] Yes [ ] No

Financial Statement Findings:

Prior Year Findings No.	Findings Title	Status/ Current Year Finding No.
N/A	There were no prior findings reported.	N/A

Federal Award Findings and Question Costs:

Prior Year Findings No.	Findings Title	Status/ Current Year Finding No.
N/A	There were no prior findings reported.	N/A