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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

June 4, 2014

Board of Directors
Washington Housing Authority
520 S. E. 2nd Street
Washington, IN 47501

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Washington Housing Authority, as of December 31, 2007 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountant's report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA**

TWELVE MONTHS ENDED DECEMBER 31, 2007

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

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PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD
DECATUR, ILLINOIS 62526
(217) 872-1908

Independent Auditor's Report

Board of Directors
Washington Housing Authority
Washington, Indiana

I have audited the accompanying financial statements of Washington Housing Authority, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Washington Housing Authority, as of December 31, 2007 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 4, 2008, on my consideration of the Washington Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements of the Washington Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Washington Housing Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Washington Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.

Decatur, Illinois
September 4, 2008

Certified Public Accountant

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***Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2007***

Introduction

This Management's Discussion and Analysis (MD&A) of the Washington Housing Authority provides an introduction and overview to the financial statements of the Washington Housing Authority for the fiscal year ended December 31, 2007. The Washington Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2007, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Washington Housing Authority. This information contained herein this MD&A should be considered in conjunction with the Authority's basic financial statements and related notes to the financial statements.

The Authority has two individual programs. They include the Low Rent Public Housing Program and the Capital Fund Program. The Low Rent Program consists of 190 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula. The Capital Fund Program is also a formula based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Authority to provide capital improvements for the current dwelling structures and assist in their operations.

Overview of the Financial Statements

This overview of the financial statement is intended to inform and introduce the reader to the Authority's basic financial statements. The basic financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Assets
- The Statement of Revenues, Expense, and Changes in Net Assets
- The Statement of Cash Flows

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***Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2007***

Management's Discussion and Analysis-Cont.

The Statement of Net Assets presents information on the assets and liabilities, with the differences between the two being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net Assets is comprised of three individual components:

- *Investment in Capital Assets, Net of Related Debt* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets
- *Restricted Net Assets* consists of assets that are restricted by limitations placed on these assets by an external source or party.
- *Unrestricted Net Assets* consists of net assets that do not meet the definition of the above categories. Unrestricted net assets are basically the amount of funds available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Assets reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended December 31, 2007 to determine the change in net assets for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended December 31, 2007.

Financial Highlights

- The Washington Housing Authority's total net assets increased from \$2,494,592 to \$2,587,420 an increase of \$92,828 or 4%. The total assets increased by \$385,294 or 15%.
- The unrestricted net asset balance is listed as \$1,257,482 at December 31, 2007. This represents a decrease of \$175,035, or 12% from the previous year.
- Total revenues increased from \$953,404 to \$1,342,397, an increase of \$388,993 or 41%.
- Total expenses increased by \$225,313 from \$1,024,256 to \$1,249,569 for the current year. This represents an increase of 22%.

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**Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Management's Discussion and Analysis-Cont.

Housing Authority Activities & Highlights

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended December 31, 2007 and December 31, 2006.

Summary Statement of Net Assets

<u>Category</u>	<u>FYE 2007</u>	<u>FYE 2006</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 1,624,214	\$ 1,506,783	\$ 117,431	8%
Fixed Assets (Net of Depreciation)	\$ 1,329,938	\$ 1,062,075	\$ 267,863	25%
Total Assets	\$ 2,954,152	\$ 2,568,858	\$ 385,294	15%
Current Liabilities	\$ 366,732	\$ 70,769	\$ 295,963	418%
Long Term Liabilities	\$ -	\$ 3,497	\$ (3,497)	-100%
Total Liabilities	\$ 366,732	\$ 74,266	\$ 292,466	394%
Unrestricted Net Assets	\$ 1,257,482	\$ 1,432,517	\$ (175,035)	-12%
Investment in Net Fixed Assets	\$ 1,329,938	\$ 1,062,075	\$ 267,863	25%
Total Net Assets	\$ 2,587,420	\$ 2,494,592	\$ 92,828	4%

Current Assets

The Authority's current asset balance increased by \$117,431 from the previous year. The accounts receivable balance increased by \$153,908 due to an accrual from HUD for CFP funds.

Fixed Assets

Fixed assets increased primarily due to the installation of a sprinkler system. Please note the capital asset portion presented in a later section.

Current Liabilities

Current liabilities increased primarily due to the accounts payable balance increasing by \$294,061. This is a result of a year end accrual of a liability related to the brick repair/replacement project.

Long Term Liabilities

Amounts pertaining to long term liabilities decreased due to the level of accrued leave retained by employees as of December 31, 2007 as compared to December 31, 2006.

The Housing Authority incurred no long term debt related to borrowing in 2006 or 2007.

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**Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Management's Discussion and Analysis-Cont.

Net Assets

The Authority's total net asset balance increased by \$92,828 from the previous year.

The Authority's unrestricted net assets decreased from \$1,432,517 to \$1,257,482, a decrease of \$175,035, or 12% for the current year. The principal reason for the decrease is due to the use of existing reserves to fund the repair project related to the brick repair and replacement. The unrestricted net asset account balance is the amount available for future appropriations. This balance is subject to program specific guidelines.

Investment in net fixed assets increased by \$267,863 for the current fiscal year. This is due primarily to the addition of a sprinkler system.

Overview of the Financial Statements-Cont.

***Summary Statement of Revenues & Expenses and Changes in Net Assets
Years Ended December 31, 2007 and 2006***

<u>Category</u>	<u>FYE 2007</u>	<u>FYE 2006</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 477,707	\$ 474,118	\$ 3,589	1%
HUD Operating Grants	\$ 418,269	\$ 349,385	\$ 68,884	20%
Capital Grants	\$ 381,433	\$ 61,512	\$ 319,921	520%
Interest Income	\$ 52,534	\$ 54,118	\$ (1,584)	-3%
Other Revenue	\$ 12,454	\$ 14,271	\$ (1,817)	-13%
Total Revenue	\$ 1,342,397	\$ 953,404	\$ 388,993	41%
Administration	\$ 245,723	\$ 237,153	\$ 8,570	4%
Tenant Services	\$ 3,852	\$ 6,785	\$ (2,933)	-43%
Utilities	\$ 235,016	\$ 220,045	\$ 14,971	7%
Ordinary Maintenance	\$ 337,116	\$ 282,735	\$ 54,381	19%
General Expense	\$ 74,074	\$ 70,697	\$ 3,377	5%
Extraordinary Maintenance	\$ 161,903	\$ 20,050	\$ 141,853	707%
Depreciation	\$ 191,885	\$ 186,791	\$ 5,094	3%
Total Expenses	\$ 1,249,569	\$ 1,024,256	\$ 225,313	22%
Excess of Revenue over Expenses	\$ 92,828	\$ (70,852)	\$ 163,680	-231%
Net Assets, Beginning of Year	\$ 2,494,592	\$ 2,565,444	\$ (70,852)	-3%
Net Assets, End of Year	\$ 2,587,420	\$ 2,494,592	\$ 92,828	4%

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***Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2007***

Management's Discussion and Analysis-Cont.

Results of Operations

Revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenue increased by \$388,993, during the current fiscal year. Significant differences between the years include:

- Activity in the Capital Fund Program increased by \$319,921 due to a roofing, electrical upgrade and sprinkler system project.
- HUD operating grants increase by \$68,884 due to an increase in the amount of subsidy provided by HUD.
- Other revenue decreased by \$1,817 due to a decrease in the amount of community room rental income and laundry income received compared to the previous year.

Total expenses increased by \$225,313. Significant differences between the years include:

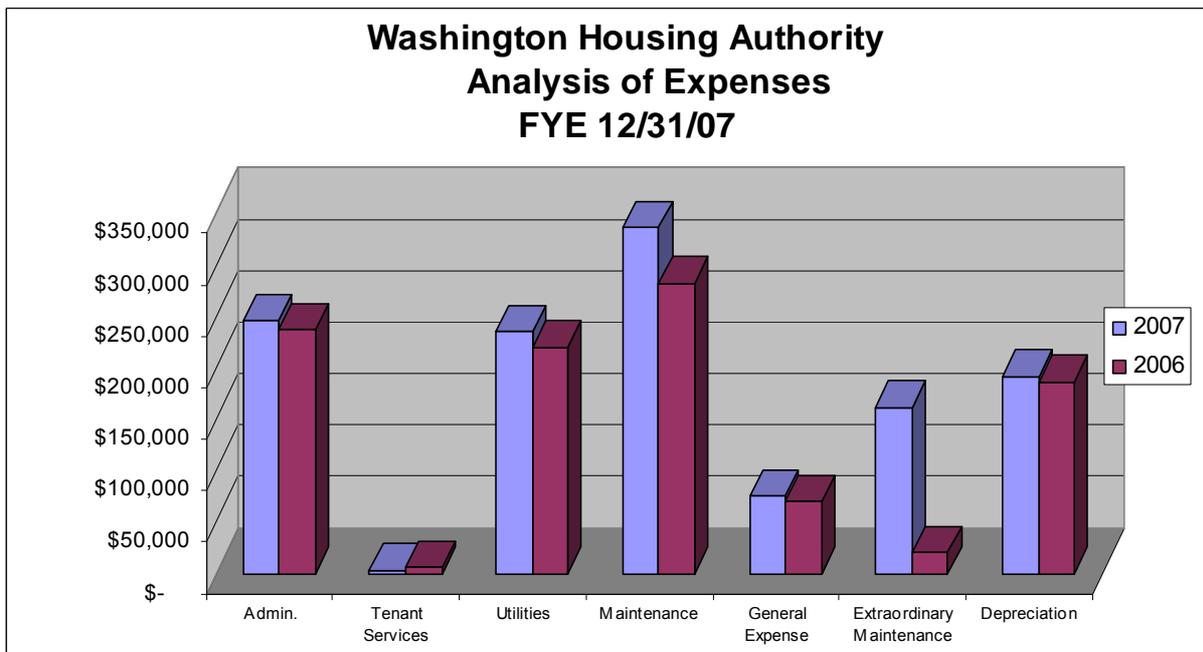
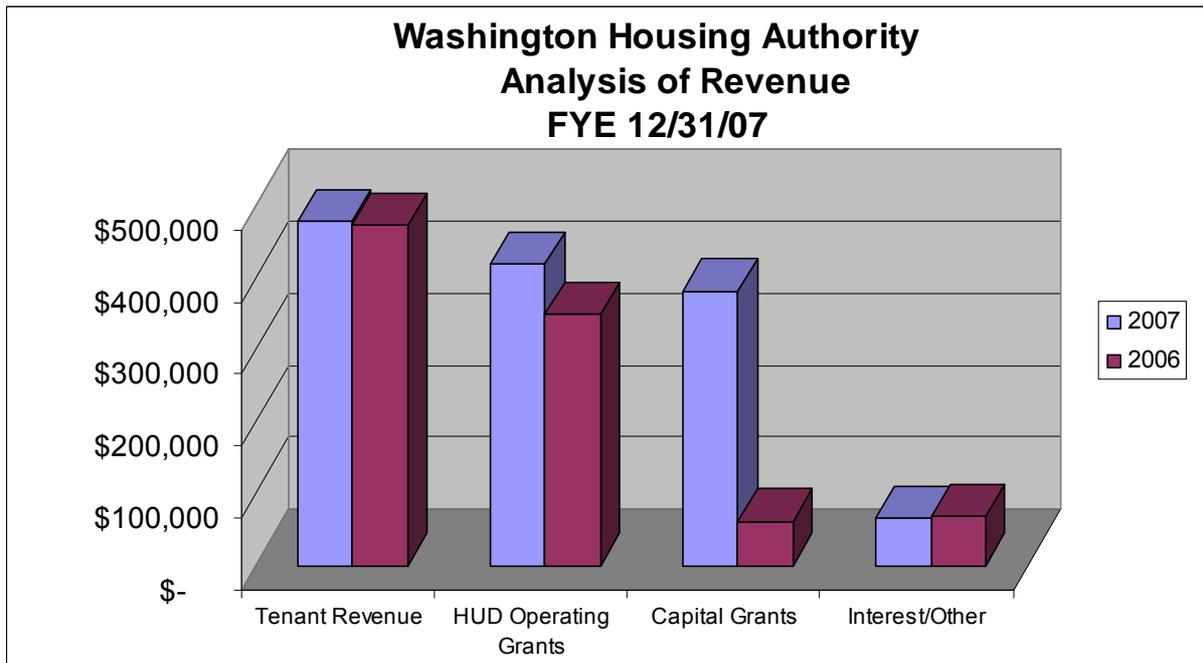
- Extraordinary maintenance increased \$141,853 due primarily to the need to repair brick.
- Tenant services decreased by \$2,933. This was due to the Authority staying within budget due to the brick problems that would require a great portion of the overall budget.
- Ordinary maintenance increased by \$54,381 due to the energy efficient upgrades to the unit when we turn a unit to a new tenant. Energy efficient bulb, new timer switches on exhaust fans and insulation of pipes. We also saw an increase in make ready units as we had a large number of tenants leave due to non payment of rent. Due to a brick collapse at Project site 30-01 extra costs was secured in clean up and temporary securing the whole building from continued damage.

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**Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Management's Discussion and Analysis-Cont.

We have provided the following presentations to demonstrate the revenues and expenses by summarized account category:



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**Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Management's Discussion and Analysis-Cont.

Capital Assets

As of December 31, 2007, the Washington Housing Authority's investment in capital assets was \$1,329,938. This investment includes land, building, construction in progress, and equipment.

Category	FYE 2007	FYE 2006	Change \$	Change %
Land	\$ 97,107	\$ 97,107	\$ -	0%
Buildings	\$ 4,765,499	\$ 4,500,681	\$ 264,818	6%
Equipment	\$ 202,916	\$ 202,916	\$ -	0%
Construction in Progress	\$ 273,773	\$ 78,842	\$ 194,931	247%
Accumulated Depreciation	\$ (4,009,357)	\$ (3,817,471)	\$ (191,886)	5%
Total Net Fixed Assets	\$ 1,329,938	\$ 1,062,075	\$ 267,863	25%

The Buildings account increased due to the implementation of an improvement project consisting of a sprinkler system project funded out of the CFPs. The Low Rent Program also funded a portion of the sprinkler project.

The construction in progress account consists of a roofing, electrical, and masonry project being funding out of the Capital Fund Programs.

Subsequent Event

There are no grievances and or lawsuits to report. One big concern is the budget cuts we are receiving. This is going to be catastrophic to a small community such as ours. Living in a depressed economic area, we are seeing a long waiting list of possible tenants needing safe and sanitary housing. Our big concern is the sustainability of us providing decent, safe and sanitary housing in the future. Future CFP include electric upgrade, HVAC upgrade, and plumbing upgrades. We are continuing to work on putting new roofs on 30-02 and with the initial phase of the electric upgrade at 30-02. In May of 2007, 30-01 (nine story high-rise) experienced a collapse of over 4000 bricks from poor craftsmanship when the building was built in the late 60's. The lintel had pulled away from the building allowing the bricks to fall. Upon close examination by several engineers it was decided to put temporary supports under the whole building, and then replace the bricks that had fallen and re-attach all lintels as a safety precaution as several were showing a slight movement away from the building. The project was estimated to cost between \$350,000 and \$400,000. This will be an enormous expense to our organization.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Washington Housing Authority
William O'Brian, Executive Director
520 S.E. 2nd Street
Washington, IN 47501

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2007**

ASSETS

CURRENT ASSETS

Cash	\$ 622,049
Accounts receivable (interfund eliminated)	166,090
Accrued interest receivable	10,429
Investments	808,697
Inventory	1,742
Deferred charges	<u>15,207</u>

Total Current Assets \$ 1,624,214

CAPITAL ASSETS

Land, buildings and equipment	\$ 5,339,295
Less: Accumulated depreciation	<u>-4,009,357</u>

Total Capital Assets \$ 1,329,938

Total Assets \$ 2,954,152

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 334,945
Accrued liabilities	27,501
Deferred revenue	<u>4,286</u>

Total Current Liabilities \$ 366,732

NET ASSETS

Invested in capital assets	\$ 1,329,938
Unrestricted	<u>1,257,482</u>

Total Net Assets \$ 2,587,420

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Operating Income

Tenant rental revenue	\$ 470,470
Excess utilities	<u>7,237</u>
Total Rental Income	\$ 477,707
HUD grants - operating	418,269
Other income	<u>12,454</u>
Total Operating Income	<u>\$ 908,430</u>

Operating Expenses

Administration	\$ 245,723
Tenant services	3,852
Utilities	235,016
Ordinary maintenance and operation	337,116
General expense	74,074
Extraordinary maintenance	161,903
Depreciation	<u>191,885</u>
Total Operating Expenses	<u>\$ 1,249,569</u>
Net Operating Income (Loss)	\$ -341,139

Nonoperating Income (Expense)

Interest income	52,534
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Capital Contributions

Capital Fund Grants	<u>381,833</u>
Changes in net assets	\$ 92,828
Net assets, beginning of year	<u>2,494,592</u>
Net assets, end of year	<u>\$ 2,587,420</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Operating Activities

Operating grants	\$ 418,269
Tenant revenue	475,981
Other revenue	12,454
Payments to employees	-287,156
Payments to suppliers and contractors	<u>-616,462</u>

Net Cash Provided (Used) by Operating Activities \$ 3,086

Investing Activities

Investments (purchased) redeemed	\$ 272,150
Interest income	<u>53,575</u>

Net Cash Provided (Used) by Investing Activities \$ 325,725

Capital and Related Financing Activities

HUD grants - capital	\$ 381,433
(Additions) deletions to fixed assets	<u>-459,748</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -78,315

Net Change in Cash \$ 250,496

Cash Balance at December 31, 2006 371,553

Cash Balance at December 31, 2007 \$ 622,049

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities

Net operating income (loss)	\$ -341,139
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	191,885
(Increase) decrease in accounts receivable	-155,634
(Increase) decrease in deferred charges	-1,378
(Increase) decrease in inventories	16,886
Increase (decrease) in accounts payable	295,239
Increase (decrease) in accrued liabilities	-3,783
Increase (decrease) in deferred revenues	<u>1,010</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,086</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Washington Housing Authority was established by the City pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Washington and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the Housing Authority, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Washington Housing Authority is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- * Low Rent Public Housing
- * Capital Fund Program

These programs are all accounted for within the 'Proprietary' (enterprise) fund as described below:

Proprietary Fund Types:

Proprietary funds use the economic resources measurement focus and utilize the accrual basis of accounting. All assets and liabilities associated with a proprietary fund's activities are included on the fund statement. Proprietary fund equity is segregated into Invested in Capital Assets Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets.

(d) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(e) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2007, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(f) Inventories and Materials -

Inventories and materials are stated at cost which approximates market determined on a first-in, first-out basis.

(g) Investments -

Investments are stated at cost which approximates market.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(h) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Buildings	40	years
Equipment	3-5	years
Leasehold improvements	15	years

(i) Income Tax -

The Authority, organized as a non-profit corporation subsidized by the Federal government, is exempt from Federal and State income taxes.

(j) Annual Contributions/Subsidies and Other Grants

Annual contributions and subsidies received from the Department of HUD are recorded as grant revenues.

Other grants (such as CFP grants) are recognized when program expenditures are incurred. Such revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (k) The Housing Authority adopts a budget annually. The budget is submitted to the Department of Housing and Urban Development for approval. Subsequent budget revisions may also be required to be submitted to HUD for approval.
- (l) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

All cash and investments are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

Custodial Credit Risk

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

Credit Risk Investments, Concentration of Credit Risk and Interest Rate Risks - Investments

Credit Risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

Concentrations of Credit Risk is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

Investment Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 - Deposits which are not collateralized or insured.

Based on the three levels of risk, all of the Housing Authority's funds are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ <u>622,049</u>	\$ <u>637,748</u>

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.

Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

Based on the three levels of risk, all of the Housing Authority's investments are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	\$ <u>808,697</u>	\$ <u>808,697</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 3 - Compensated Absences

Annual Leave

Vacation time is earned in one fiscal/calendar year, but cannot be taken until the following fiscal or calendar year. While time is earned on a monthly basis for convenience sake the Authority posts the whole year's worth of anticipated annual leave on the 1st of January.

All regular full-time employees earn paid annual leave in the following manner:

Years 1	5	days per year
Years 2-10	10	days per year
Over 11 years	15	days per year

Sick Leave

Sick Leave will be accumulated by all full-time employees at the rate of 8 hours per month for a total of 96 hours per calendar year. After two years of employment, sick leave will accumulate at the rate of 12 hours per month for a total of 144 hours per calendar year. Sick leave may accumulate to 60 workdays. In no event shall an employee be paid for sick leave not taken.

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after the first full month of service. The plan requires the Housing Authority and the employee to contribute 7.5% and 5.5% of base salary each month, respectively. The Housing Authority's contributions for each employee (and interest allocated the employee's account) are fully vested after five years of continuous service. Housing Authority contributions for, and the interest forfeited by, employees who leave employment before five years of service are reallocated to the Housing Authority's current employees. For the fiscal year ended December 31, 2007, actual contributions were \$44,147.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 3,728
Allowance for doubtful accounts	-510
Accounts receivable - HUD	<u>162,872</u>
Subtotal	\$ 166,090
Interfund	<u>22,170</u>
Total	<u>\$ 188,260</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 6 - Investments

At December 31, 2007 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	3.57-5.15%	\$ 808,697	\$ 808,697

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 15,207
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Note 8 - Fixed Assets

Balance as of December 31, 2007	\$ 1,329,938
Balance as of December 31, 2006	<u>1,062,075</u>
Net Increase (Decrease)	<u>\$ 267,863</u>

Reconciliation

Replacement of nonexpendable equipment	\$ 459,749
Current year depreciation expense	<u>-191,886</u>
Net Increase (Decrease)	<u>\$ 267,863</u>

<u>Analysis</u>	<u>01/01/2007 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2007 Balance</u>
Land	\$ 97,107	\$ 0	\$ 0	\$ 97,107
Buildings	4,500,681	264,818	0	4,765,499
Equipment and furniture	202,916	0	0	202,916
Construction in progress	<u>78,842</u>	<u>194,931</u>	<u>0</u>	<u>273,773</u>
Total	\$ 4,879,546	\$ 459,749	\$ 0	\$ 5,339,295
Accumulated depreciation	<u>-3,817,471</u>	<u>-191,886</u>	<u>0</u>	<u>-4,009,357</u>
Net Assets	<u>\$ 1,062,075</u>	<u>\$ 267,863</u>	<u>\$ 0</u>	<u>\$ 1,329,938</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 317,322
Tenants security deposits	<u>17,623</u>
Subtotal	\$ 334,945
Interfund	<u>22,170</u>
Total	<u><u>\$ 357,115</u></u>

Note 10 - Notes Payable

On August 4, 1987, the U.S. Department of Housing and Urban Development (HUD) issued notice PIH 87-212 to implement the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (PL 99-272, enacted April 7, 1986). This notice states, in part, the following:

Project debt to HUD (HUD-held notes) will be forgiven after a debt forgiveness amendment to the consolidated Annual Contributions Contract has been executed by HUD and the Public Housing Authority and after the Actual Development Cost Certificate has been included in an audit and approved.

As a part of the HUD mandated GAAP conversion and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

<u>Current Portion:</u>	
Accrued wages	\$ 3,956
Payment in lieu of taxes	<u>23,545</u>
Total	<u><u>\$ 27,501</u></u>

Note 12 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u><u>\$ 4,286</u></u>
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**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 13 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 14 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

For insured programs there has been no significant reduction in insurance coverage. Settled claims have not exceeded insurance coverage or the risk pool coverage in the current or past three years.

Note 15 - Economic Dependency

The Housing Authority received a large percentage of its revenue (59%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing*	14.850a	C-590	FYE 12/31/07	\$ 310,331	\$ 310,331	\$ 310,331
Public Housing - Capital Fund*	14.872	C-590	FYE 12/31/07	\$ 785,796	\$ 489,371	\$ 489,371
Total Housing Assistance				<u>\$ 1,096,127</u>	<u>\$ 799,702</u>	<u>\$ 799,702</u>

*Denotes major program.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2007**

<u>ASSETS</u>	<u>Low Rent</u>	<u>Capital Funds</u>
CURRENT ASSETS		
Cash	\$ 622,049	\$ 0
Accounts receivable	25,388	162,872
Accrued interest receivable	10,429	0
Investments	808,697	0
Inventory	1,742	0
Deferred charges	<u>15,207</u>	<u>0</u>
Total Current Assets	<u>\$ 1,483,512</u>	<u>\$ 162,872</u>
CAPITAL ASSETS		
Land, buildings and equipment	\$ 4,866,484	\$ 472,811
Less: Accumulated depreciation	<u>-3,995,742</u>	<u>-13,615</u>
Net Capital Assets	<u>\$ 870,742</u>	<u>\$ 459,196</u>
Total Assets	<u>\$ 2,354,254</u>	<u>\$ 622,068</u>
 <u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 194,243	\$ 162,872
Accrued liabilities	27,501	0
Deferred revenue	<u>4,286</u>	<u>0</u>
Total Current Liabilities	<u>\$ 226,030</u>	<u>\$ 162,872</u>
 <u>NET ASSETS</u>		
Invested in capital assets	\$ 870,742	\$ 459,196
Unrestricted	<u>1,257,482</u>	<u>0</u>
Total Net Assets	<u><u>\$ 2,128,224</u></u>	<u><u>\$ 459,196</u></u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Operating Income</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Tenant rental revenue	\$ 470,470	\$ 0
Excess utilities	<u>7,237</u>	<u>0</u>
Total Rental Income	\$ 477,707	\$ 0
HUD grants - operating	310,331	107,938
Other revenue	<u>12,454</u>	<u>0</u>
Total Operating Income	<u>\$ 800,492</u>	<u>\$ 107,938</u>
 <u>Operating Expenses</u>		
Administration	\$ 239,357	\$ 6,366
Tenant services	3,852	0
Utilities	235,016	0
Ordinary maintenance and operation	308,681	28,435
General expense	74,074	0
Extraordinary maintenance	155,812	6,091
Depreciation	<u>184,361</u>	<u>7,524</u>
Total Operating Expenses	<u>\$ 1,201,153</u>	<u>\$ 48,416</u>
Net Operating Income (Loss)	<u>\$ -400,661</u>	<u>\$ 59,522</u>
 <u>Nonoperating Income (Expense)</u>		
HUD grants - capital	\$ 0	\$ 381,433
Interest income	52,534	0
Transfer	<u>67,046</u>	<u>-67,046</u>
Total Nonoperating Income (Expense)	<u>\$ 119,580</u>	<u>\$ 314,387</u>
Changes in Net Assets	<u>\$ -281,081</u>	<u>\$ 373,909</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF CHANGES IN NET ASSETS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Invested in Capital Assets</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Balance at December 31, 2006	\$ 877,416	\$ 184,659
Transfers	99,372	-99,372
Current year net income (loss)	<u>-106,046</u>	<u>373,909</u>
Balance at December 31, 2007	<u>\$ 870,742</u>	<u>\$ 459,196</u>
 <u>Unrestricted Net Assets</u>		
Balance at December 31, 2006	\$ 1,432,517	\$ 0
Current year net income (loss)	<u>-175,035</u>	<u>0</u>
Balance at December 31, 2007	<u>\$ 1,257,482</u>	<u>\$ 0</u>
Total Net Assets	<u>\$ 2,128,224</u>	<u>\$ 459,196</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Operating grants	\$ 310,331	\$ 107,938
Tenant revenue	475,981	0
Other revenue	12,454	0
Payments to employees	-269,587	-17,569
Payments to suppliers and contractors	<u>-593,139</u>	<u>-23,323</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -63,960</u>	<u>\$ 67,046</u>
 <u>Investing Activities</u>		
Investments (purchased) redeemed	\$ 272,150	\$ 0
Interest income	<u>53,575</u>	<u>0</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 325,725</u>	<u>\$ 0</u>
 <u>Capital and Related Financing Activities</u>		
HUD grants - capital	\$ 0	\$ 381,433
(Additions) deletions to fixed assets	-78,315	-381,433
Transfer	<u>67,046</u>	<u>-67,046</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -11,269</u>	<u>\$ -67,046</u>
Net Change in Cash	\$ 250,496	\$ 0
Cash Balance at December 31, 2006	<u>371,553</u>	<u>0</u>
Cash Balance at December 31, 2007	<u><u>\$ 622,049</u></u>	<u><u>\$ 0</u></u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Net operating income (loss)	\$ -400,661	\$ 59,522
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	184,361	7,524
(Increase) decrease in accounts receivable	-14,932	-153,908
(Increase) decrease in deferred charges	-1,378	0
(Increase) decrease in inventories	16,886	0
Increase (decrease) in accounts payable	154,537	153,908
Increase (decrease) in accrued liabilities	-3,783	0
Increase (decrease) in deferred revenues	<u>1,010</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -63,960</u>	<u>\$ 67,046</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P030501-03**

1. The Actual Modernization Costs of Phase IN36P030501-03 are as follows:

Funds approved	\$ 238,281
Funds expended	<u>238,281</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 238,281
Funds expended	<u>238,281</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated July 10, 2007, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Commissioners
Washington Housing Authority
Washington, Indiana

I have audited the financial statements of the governmental activities of Washington Housing Authority as of and for the year ended December 31, 2007, which collectively comprise the Washington Housing Authority's basic financial statements and have issued my report thereon dated September 4, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Washington Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Washington Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Washington Housing Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employee, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Washington Housing Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Washington Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Washington Housing Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Washington Housing Authority's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. This report is intended solely for the information of management, the Board of Commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that we reported to management of Washington Housing Authority, in a separate letter dated September 4, 2008.

This reported in intended solely for the information of management, the Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois
September 4, 2008

Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners
Washington Housing Authority
Washington, Indiana

Compliance

I have audited the compliance of Washington Housing Authority with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Washington Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Washington Housing Authority's management. My responsibility is to express an opinion on Washington Housing Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Washington Housing Authority's compliance with those requirements.

In my opinion, Washington Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007. However, the results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of Washington Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Washington Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Washington Housing Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Washington Housing Authority in a separate letter dated September 8, 2008.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois
September 8, 2008

Certified Public Accountant

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2006 contained no findings.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2007**

Summary of Auditor's Results

Low Risk Auditee X yes no

Financial Statements

Type of auditor's report: Unqualified

- * Material weakness(es) identified? yes X no
 * Significant deficiency (ies) identified that are not
 considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? yes X no
 * Significant deficiency (ies) identified that are not
 considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs: None

Major Programs: (Threshold \$300,000)

CFDA Number(s)

Public and Indian Housing
Public Housing - Capital Fund

14.850a
14.872

WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with William O'Brian, Executive Director, during the course of the audit and at an exit conference held September 3, 2008.

Section III - Federal Award Findings

There were no federal award audit findings discussed with William O'Brian, Executive Director, during the course of the audit and at an exit conference held September 3, 2008.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2007**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Prepaid insurance	1211	\$ 1,259.36		1211
Insurance expense (w/c)	4510.04		\$ 1,259.36	2806
(To adjust prepaid insurance for workers' compensation policy)				

PHA: IN030 FYED: 12/31/2007

Line Item No	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$604,426	\$0	\$604,426
114	Cash - Tenant Security Deposits	\$17,623	\$0	\$17,623
100	Total Cash	\$622,049	\$0	\$622,049
122	Accounts Receivable - HUD Other Projects	\$0	\$162,872	\$162,872
126	Accounts Receivable - Tenants - Dwelling Rents	\$3,728	\$0	\$3,728
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$-510	\$0	\$-510
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
129	Accrued Interest Receivable	\$10,429	\$0	\$10,429
120	Total Receivables, net of allowances for doubtful accounts	\$13,647	\$162,872	\$176,519
131	Investments - Unrestricted	\$808,697	\$0	\$808,697
142	Prepaid Expenses and Other Assets	\$15,207	\$0	\$15,207
143	Inventories	\$1,936	\$0	\$1,936
143.1	Allowance for Obsolete Inventories	\$-194	\$0	\$-194
144	Interprogram Due From	\$22,170	\$0	\$22,170
150	Total Current Assets	\$1,483,512	\$162,872	\$1,646,384
161	Land	\$97,107	\$0	\$97,107
162	Buildings	\$4,575,064	\$190,435	\$4,765,499
164	Furniture, Equipment & Machinery - Administration	\$190,380	\$12,536	\$202,916
166	Accumulated Depreciation	\$-3,895,742	\$-13,615	\$-4,009,357
167	Construction In Progress	\$3,933	\$269,840	\$273,773
160	Total Fixed Assets, Net of Accumulated Depreciation	\$870,742	\$459,196	\$1,329,938
180	Total Non-Current Assets	\$870,742	\$459,196	\$1,329,938
190	Total Assets	\$2,354,254	\$622,068	\$2,976,322

PHA: IN030 FYED: 12/31/2007

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
312	Accounts Payable <= 90 Days	\$176,620	\$140,702	\$317,322
321	Accrued Wage/Payroll Taxes Payable	\$3,956	\$0	\$3,956
333	Accounts Payable - Other Government	\$23,545	\$0	\$23,545
341	Tenant Security Deposits	\$17,623	\$0	\$17,623
342	Deferred Revenues	\$4,286	\$0	\$4,286
347	Interprogram Due To	\$0	\$22,170	\$22,170
310	Total Current Liabilities	\$226,030	\$162,872	\$388,902
350	Total Noncurrent Liabilities	\$0	\$0	\$0
300	Total Liabilities	\$226,030	\$162,872	\$388,902
508	Total Contributed Capital	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$870,742	\$459,196	\$1,329,938
511	Total Reserved Fund Balance	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$1,257,482	\$0	\$1,257,482
513	Total Equity/Net Assets	\$2,128,224	\$459,196	\$2,587,420
600	Total Liabilities and Equity/Net Assets	\$2,354,254	\$622,068	\$2,976,322

PHA: IN030 FYED: 12/31/2007

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$470,470	\$0	\$470,470
704	Tenant Revenue - Other	\$7,237	\$0	\$7,237
705	Total Tenant Revenue	\$477,707	\$0	\$477,707
706	HUD PHA Operating Grants	\$310,331	\$107,938	\$418,269
706.1	Capital Grants	\$0	\$381,433	\$381,433
711	Investment Income - Unrestricted	\$52,534	\$0	\$52,534
715	Other Revenue	\$12,454	\$0	\$12,454
700	Total Revenue	\$853,026	\$489,371	\$1,342,397

PHA: IN030 FYED: 12/31/2007

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
011	Administrative Salaries	\$132,090	\$1,496	\$133,586
012	Auditing Fees	\$0	\$3,380	\$3,380
014	Compensated Absences	\$-4,371	\$0	\$-4,371
015	Employee Benefit Contributions - Administrative	\$49,983	\$0	\$49,983
016	Other Operating - Administrative	\$61,655	\$1,490	\$63,145
024	Tenant Services - Other	\$3,852	\$0	\$3,852
031	Water	\$30,349	\$0	\$30,349
032	Electricity	\$84,402	\$0	\$84,402
033	Gas	\$95,986	\$0	\$95,986
038	Other Utilities Expense	\$24,279	\$0	\$24,279
041	Ordinary Maintenance and Operations - Labor	\$137,497	\$16,073	\$153,570
042	Ordinary Maintenance and Operations - Materials and Other	\$80,147	\$9,619	\$89,766
043	Ordinary Maintenance and Operations - Contract Costs	\$21,799	\$2,743	\$24,542
045	Employee Benefit Contributions - Ordinary Maintenance	\$69,238	\$0	\$69,238
061	Insurance Premiums	\$46,405	\$0	\$46,405
062	Other General Expenses	\$2,635	\$0	\$2,635
063	Payments in Lieu of Taxes	\$23,545	\$0	\$23,545
064	Bad Debt - Tenant Rents	\$1,489	\$0	\$1,489
069	Total Operating Expenses	\$860,980	\$34,801	\$895,781
070	Excess Operating Revenue over Operating Expenses	\$-7,954	\$454,570	\$446,616
071	Extraordinary Maintenance	\$155,812	\$6,091	\$161,903
074	Depreciation Expense	\$184,361	\$7,524	\$191,885
000	Total Expenses	\$1,201,153	\$48,416	\$1,249,569
1001	Operating Transfers In	\$67,046	\$0	\$67,046
1002	Operating Transfers Out	\$0	\$-67,046	\$-67,046
1010	Total Other Financing Sources (Uses)	\$67,046	\$-67,046	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$-281,081	\$373,909	\$92,828

PHA: IN030 FYED: 12/31/2007

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0
1103	Beginning Equity	\$2,309,933	\$184,659	\$2,494,592
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$99,372	\$-99,372	\$0
1120	Unit Months Available	2,280	0	2,280
1121	Number of Unit Months Leased	2,266	0	2,266

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PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD
DECATUR, ILLINOIS 62526
(217) 872-1908

Board of Commissioners
Washington Housing Authority
Washington, Indiana

In planning and performing my audit of the financial statements of Washington Housing Authority as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Washington Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Washington Housing Authority's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

1. While reviewing a sample of the low income housing tenant files, I determined, that copies of EIV used in calculating anticipated tenant rent was not retained in the file along with third party verifications or other forms of confirmation. I suggest the Housing Authority retain a copy of all data used in the confirmation process.
2. The Housing Authority should review flat rents, minimum rents and ceiling rents on an annual basis and document that review (and any applicable changes) with the Board of Commissioners. Those reviews should also be referenced in the board minutes. While the Housing Authority does periodically review these, the Board Minutes did not reflect the review.

This communication is intended solely for the information and used of management, the Board of Commissioners, and others within the housing authority, and is not intended to be and should not be used by anyone other than these specified parties. Please feel free to contact me if you have any questions.

Decatur, Illinois
September 4, 2008

Certified Public Accountant