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June 4, 2014

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

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2008 to December 31, 2008. 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, 2008 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**

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

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**TWELVE MONTHS ENDED DECEMBER 31, 2008**

**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, 2008, 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, 2008 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 10, 2009, 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.

A handwritten signature in cursive script that reads "Pamela J. Simpson". The signature is written in black ink on a light-colored background.

Decatur, Illinois  
September 10, 2009

Certified Public Accountant

# ***Washington Housing Authority Management's Discussion and Analysis For the Year Ended December 31, 2008***

## **Introduction**

This Management's Discussion and Analysis (MD&A) of the Washington Housing Authority (Authority) provides an introduction and overview to the financial statements of the Washington Housing Authority for the fiscal year ended December 31, 2008. The Washington Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2008, 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

***Washington Housing Authority  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***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. The unrestricted net asset balance is 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, 2008 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, 2008.

***Financial Highlights***

- The Washington Housing Authority's total net assets increased from \$2,587,420 to \$2,588,269 an increase of \$849. The total assets decreased by \$276,663 or 9%.
- The unrestricted net asset balance is reported at \$1,292,639 at December 31, 2008. This represents an increase of \$35,157, or 3% from the previous year.
- Total revenues decreased from \$1,342,397 to \$1,218,969, a decrease of \$123,428 or 9%.
- Total expenses decreased by \$31,449 from \$1,249,569 to \$1,218,120 for the current year. This represents a decrease of 3%.

***Washington Housing Authority  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***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, 2008 and December 31, 2007.

***Summary Statement of Net Assets***

<u>Category</u>	<u>FYE 2008</u>	<u>FYE 2007</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 1,381,859	\$ 1,624,214	\$ (242,355)	-15%
Fixed Assets (Net of Depreciation)	\$ 1,295,630	\$ 1,329,938	\$ (34,308)	-3%
Total Assets	\$ 2,677,489	\$ 2,954,152	\$ (276,663)	-9%
Current Liabilities	\$ 89,220	\$ 366,732	\$ (277,512)	-76%
Long Term Liabilities	\$ -	\$ -	\$ -	NA
Total Liabilities	\$ 89,220	\$ 366,732	\$ (277,512)	-76%
Unrestricted Net Assets	\$ 1,292,639	\$ 1,257,482	\$ 35,157	3%
Investment in Net Fixed Assets	\$ 1,295,630	\$ 1,329,938	\$ (34,308)	-3%
Total Net Assets	\$ 2,588,269	\$ 2,587,420	\$ 849	0%

***Current Assets***

The Authority's current asset balance decreased by \$242,355 from the previous year. The accounts receivable balance decreased by \$135,010 due to an accrual from HUD for CFP funds in the prior year. Cash and investments decreased by \$102,254 due to the deficiency of operating revenues over operating expenses.

***Fixed Assets***

Fixed assets decreased primarily due to the depreciation expense charged to the current year. Please note the capital asset portion presented in a later section.

***Current Liabilities***

Current liabilities decreased by \$277,512 primarily due to the accounts payable balance decreasing by \$278,809. This is a result of a prior year end accrual of a liability related to a brick repair/replacement project.

***Washington Housing Authority  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***Management's Discussion and Analysis-Cont.***

*Net Assets*

The Authority's total net asset balance increased by \$849 from the previous year.

The Authority's unrestricted net assets increase from \$1,257,482 to \$1,292,639, an increase of \$35,157, or 3% for the current year. 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 decreased by \$34,308 for the current fiscal year. This is primarily due to the depreciation expense charged to the current year.

***Overview of the Financial Statements-Cont.***

*Summary Statement of Revenues & Expenses and Changes in Net Assets  
Years Ended December 31, 2008 and 2007*

<b>Category</b>	<b>FYE 2008</b>	<b>FYE 2007</b>	<b>Change \$</b>	<b>Change %</b>
Tenant Revenue	\$ 504,082	\$ 477,707	\$ 26,375	6%
HUD Operating Grants	\$ 486,569	\$ 418,269	\$ 68,300	16%
Capital Grants	\$ 158,564	\$ 381,433	\$ (222,869)	-58%
Interest Income	\$ 47,504	\$ 52,534	\$ (5,030)	-10%
Other Revenue	\$ 22,250	\$ 12,454	\$ 9,796	79%
<b>Total Revenue</b>	<b>\$ 1,218,969</b>	<b>\$ 1,342,397</b>	<b>\$ (123,428)</b>	<b>-9%</b>
Administration	\$ 259,568	\$ 250,094	\$ 9,474	4%
Tenant Services	\$ 6,501	\$ 3,852	\$ 2,649	69%
Utilities	\$ 280,854	\$ 235,016	\$ 45,838	20%
Ordinary Maintenance	\$ 348,349	\$ 337,116	\$ 11,233	3%
General Expense	\$ 104,192	\$ 69,703	\$ 34,489	49%
Protective Services	\$ 1,153	\$ -	\$ 1,153	100%
Extraordinary Maintenance	\$ 9,226	\$ 161,903	\$ (152,677)	-94%
Depreciation	\$ 208,277	\$ 191,885	\$ 16,392	9%
<b>Total Expenses</b>	<b>\$ 1,218,120</b>	<b>\$ 1,249,569</b>	<b>\$ (31,449)</b>	<b>-3%</b>
Excess of Revenue over Expenses	\$ 849	\$ 92,828	\$ (91,979)	-99%
Net Assets, Beginning of Year	\$ 2,587,420	\$ 2,494,592	\$ 92,828	4%
Net Assets, End of Year	\$ 2,588,269	\$ 2,587,420	\$ 849	0%

***Washington Housing Authority  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***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 decreased by \$123,428 during the current fiscal year. Significant differences between the years include:

- HUD operating grants increase by \$68,300 due to an increase in the amount of subsidy provided by HUD for the Low Rent program in the amount of \$25,062. HUD operating grants also increased due to an increase in the activity in the capital fund program related to ordinary expenses in the amount of \$43,238.
- Activity in the Capital Fund Program decreased by \$222,869 due to a reduction in activity in the Capital Fund Program.
- Other revenue increased by \$9,796. This was due to the Authority receiving a gain on the trade in of a van and pickup.

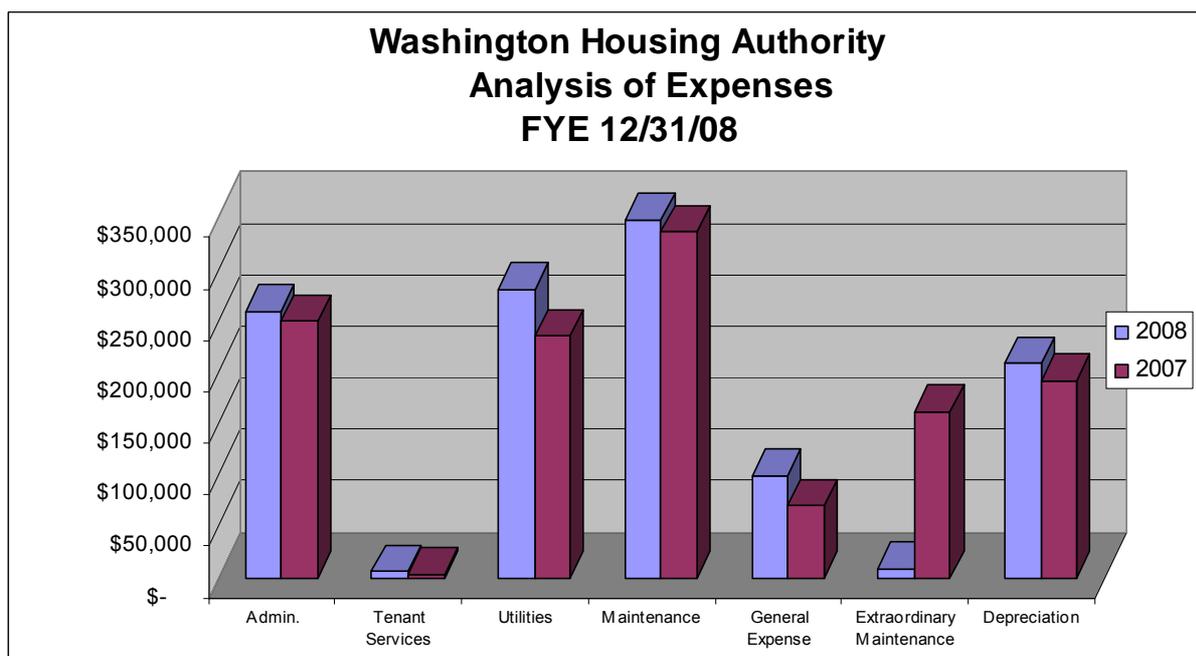
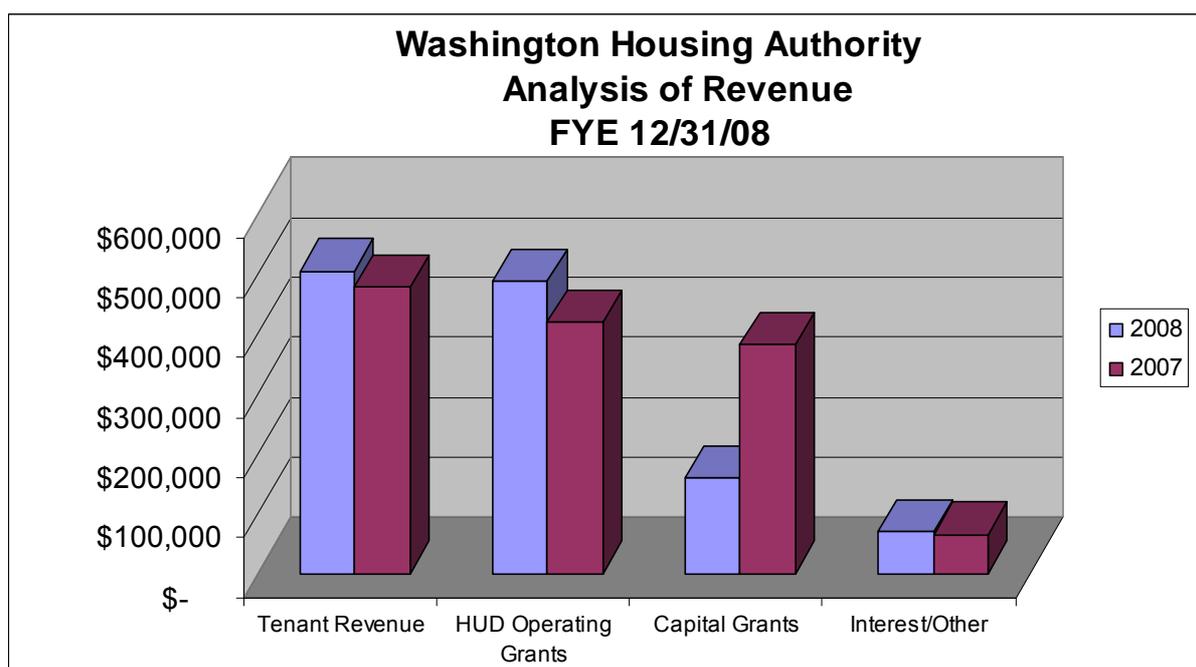
Total expenses decreased by \$31,449. Significant differences between the years include:

- Extraordinary maintenance decreased \$152,677 due to the brick repair project in the previous year.
- Utilities increased by \$45,838 due to a rise in water, sewer and gas costs. Water and sewer increased due to a 26% increase in consumptions. Gas consumptions also increased by 10%.
- Other General Expenses increased by \$34,489 due to the classification of compensated absences as general expenses.
- Depreciation increased due to the purchases of several pieces of equipment including a truck, imager, van, and tractor.

***Washington Housing Authority  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***Management's Discussion and Analysis-Cont.***

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



***Washington Housing Authority  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***Management's Discussion and Analysis-Cont.***

*Capital Assets*

As of December 31, 2008, the Washington Housing Authority's investment in capital assets was \$1,295,630. This investment includes land, building, construction in progress, and equipment.

<u>Category</u>	<u>FYE 2008</u>	<u>FYE 2007</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 97,107	\$ 97,107	\$ -	0%
Buildings	\$ 4,853,400	\$ 4,765,499	\$ 87,901	2%
Equipment	\$ 217,499	\$ 202,916	\$ 14,583	7%
Construction in Progress	\$ 300,748	\$ 273,773	\$ 26,975	10%
Accumulated Depreciation	\$ (4,173,124)	\$ (4,009,357)	\$ (163,767)	4%
Total Net Fixed Assets	\$ 1,295,630	\$ 1,329,938	\$ (34,308)	-3%

The Buildings account increased due to the building improvement projects consisting of a community room improvement, playground and electrical project funded out of the 2004 CFP.

The equipment account increased due to the purchase of an ice machine, van, tractor and truck purchased with the 2007 and 2008 CFPs.

The construction in progress account consists of a roofing, electrical, elevator, masonry and storage buildings project being funding out of the 2005, 2006, 2007, and 2008 CFPs.

**Subsequent Event**

There are no lawsuits or grievances. Future plans are for CFP contracts will include split system air conditioning and heating in our scattered site buildings. Budget funding is a constant concern in maintaining a safe, decent and sanitary housing for the low income within our community. The collapse of the exterior wall at our nine story building has been repaired and was a lengthy and expensive venture.

**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. 2<sup>nd</sup> Street  
Washington, IN 47501

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2008**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 549,302
Accounts receivable (interfund eliminated)	29,555
Accrued interest receivable	6,727
Investments	779,190
Inventory	1,076
Deferred charges	<u>16,009</u>

Total Current Assets \$ 1,381,859

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 5,468,754
Less: Accumulated depreciation	<u>-4,173,124</u>

Total Capital Assets \$ 1,295,630

Total Assets \$ 2,677,489

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable (interfund eliminated)	\$ 59,349
Accrued liabilities	24,849
Deferred revenue	<u>5,022</u>

Total Current Liabilities \$ 89,220

**NET ASSETS**

Invested in capital assets	\$ 1,295,630
Unrestricted	<u>1,292,639</u>

Total Net Assets \$ 2,588,269

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2008**

Operating Income

Tenant rental revenue	\$ 484,224
Excess utilities	<u>19,858</u>
Total Rental Income	\$ 504,082
HUD grants - operating	486,569
Other revenue	17,034
Gain/loss on sale of capital assets	<u>5,216</u>
Total Operating Income	<u>\$ 1,012,901</u>

Operating Expenses

Administration	\$ 259,568
Tenant services	6,501
Utilities	280,854
Ordinary maintenance and operation	348,349
General expense	104,192
Protective services	1,153
Extraordinary maintenance	9,226
Depreciation	<u>208,277</u>
Total Operating Expenses	<u>\$ 1,218,120</u>
Net Operating Income (Loss)	\$ -205,219

Nonoperating Income (Expense)

Interest income	47,504
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Capital Contributions

Capital Fund Grants	<u>158,564</u>
Changes in net assets	\$ 849
Net assets, beginning of year	<u>2,587,420</u>
Net assets, end of year	<u><u>\$ 2,588,269</u></u>

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2008**

Operating Activities

Operating grants	\$ 621,579
Tenant revenue	508,045
Other revenue	22,250
Payments to employees	-276,443
Payments to suppliers and contractors	<u>-1,013,486</u>

Net Cash Provided (Used) by Operating Activities \$ -138,055

Investing Activities

Investments (purchased) redeemed	\$ 29,507
Interest income	<u>51,206</u>

Net Cash Provided (Used) by Investing Activities \$ 80,713

Capital and Related Financing Activities

HUD grants - capital	\$ 158,564
(Additions) deletions to fixed assets	<u>-173,969</u>

Net Cash Provided (Used) by  
Capital and Related Financing Activities \$ -15,405

Net Change in Cash \$ -72,747

Cash Balance at December 31, 2007 622,049

Cash Balance at December 31, 2008 \$ 549,302

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2008**

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

Net operating income (loss)	\$ -205,219
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	208,277
(Increase) decrease in accounts receivable	136,535
(Increase) decrease in deferred charges	-802
(Increase) decrease in inventories	666
Increase (decrease) in accounts payable	-275,596
Increase (decrease) in accrued liabilities	-2,652
Increase (decrease) in deferred revenues	<u>736</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -138,055</u>

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2008**

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, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) 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.

(e) 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. A formal policy has not been adopted, but this is the practice followed by the Housing Authority.

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2008, 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.

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Inventories and Materials -

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

(h) Investments -

Investments are stated at cost which approximates market.

(i) 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

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Income Tax -

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

(k) 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.

(l) 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.

(m) 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.

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2008  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

*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.

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>\$ 549,302</u>	<u>\$ 576,429</u>

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2008  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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>\$ 779,190</u>	<u>\$ 779,190</u>

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 1<sup>st</sup> 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.

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2008  
(CONTINUED)**

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, 2008, actual contributions were \$34,941.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 3,386
Allowance for doubtful accounts	-1,693
Accounts receivable - HUD	<u>27,862</u>
Subtotal	\$ 29,555
Interfund	<u>27,862</u>
Total	<u><u>\$ 57,417</u></u>

Note 6 - Investments

At December 31, 2008 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	2.29-5.15%	<u>\$ 779,190</u>	<u>\$ 779,190</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u><u>\$ 16,009</u></u>
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**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2008  
(CONTINUED)**

Note 8 - Fixed Assets

Balance as of December 31, 2008	\$ 1,295,630
Balance as of December 31, 2007	<u>1,329,938</u>
Net Increase (Decrease)	<u>\$ -34,308</u>

Reconciliation

Replacement of nonexpendable equipment	\$ 174,653
Disposals	-684
Current year depreciation expense	<u>-208,277</u> *
Net Increase (Decrease)	<u>\$ -34,308</u>

<u>Analysis</u>	01/01/2008 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	12/31/2008 <u>Balance</u>
Land	\$ 97,107	\$ 0	\$ 0	\$ 97,107
Buildings	4,765,499	112,954	25,053	4,853,400
Equipment and furniture	202,916	61,699	47,116	217,499
Construction in progress	<u>273,773</u>	<u>26,975</u>	<u>0</u>	<u>300,748</u>
Total	\$ 5,339,295	\$ 201,628	\$ 72,169	\$ 5,468,754
Accumulated depreciation	<u>-4,009,357</u>	<u>44,510</u>	<u>208,277</u> *	<u>-4,173,124</u>
Net Assets	<u>\$ 1,329,938</u>	<u>\$ 246,138</u>	<u>\$ 280,446</u>	<u>\$ 1,295,630</u>

\*Current year depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 38,513
Payroll withholding	1,511
Tenants security deposits	<u>19,325</u>
Subtotal	\$ 59,349
Interfund	<u>27,862</u>
Total	<u>\$ 87,211</u>

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2008  
(CONTINUED)**

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:

Current Portion:

Accrued wages	\$ 4,512
Payment in lieu of taxes	<u>20,337</u>
Total	<u>\$ 24,849</u>

Note 12 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 5,022</u>
----------------------	-----------------

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.

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2008  
(CONTINUED)**

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 (53%) 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, 2008**

<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 12/31/08	\$ 335,393	\$ 335,393	\$ 335,393
Public Housing - Capital Fund*	14.872	C-590	FYE 12/31/08	\$ 1,217,264	\$ 309,740	\$ 309,740
Total Housing Assistance				<u>\$ 1,552,657</u>	<u>\$ 645,133</u>	<u>\$ 645,133</u>

\*Denotes major program.

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P030501-02**

1. The Actual Modernization Costs of Phase IN36P030501-02 are as follows:

Funds approved	\$ 289,602
Funds expended	<u>289,602</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 289,602
Funds expended	<u>289,602</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 12, 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

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## **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, 2008, 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.

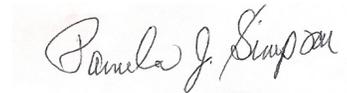
## Compliance and Other Matters

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 10, 2009.

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 10, 2009

A handwritten signature in cursive script that reads "Pamela J. Simpson". The signature is written in black ink on a white background.

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, 2008. 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, 2008. 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 10, 2009.

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 10, 2009



Certified Public Accountant

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended December 31, 2007 contained no findings.

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**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 10, 2009.

**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 10, 2009.

**WASHINGTON HOUSING AUTHORITY  
WASHINGTON, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2008**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Prepaid insurance	1211	\$ 1,796.64		1211
W/C insurance	4510.04		\$ 1,796.28	2806
Unrestricted net assets	2806		.36	2806
(To set up W/C premium as prepaid insurance and post prior year adjustment)				
(2)				
Accumulated depreciation	1405	\$ 14,196.19		1405
Depreciation expense	4595		\$ 14,196.19	2802
(To remove current year depreciation for CFP taken on Low Rent)				
(3)				
Collection losses	4570	\$ 7,545.08		2806
Allowance for D.A.	1123	7,545.09		1123
Tenants accounts receivable	1122		\$ 15,090.17	1122
(To write off tenants accounts receivable per Resolution 08-05 passed on 12/30/08 and adjust allowance to 50% of the remaining tenants accounts receivable balance)				

Capital Funds

(1)				
Depreciation expense 501-04	3044595	\$ 5,620.82		3042802
Depreciation expense 501-05	3054595	826.67		3052802
Depreciation expense 501-06	3064595	2,729.55		3062802
Depreciation expense 501-07	3074595	4,974.15		3072802
Depreciation expense 501-08	3084595	45.00		3082802
Acc. depreciation 501-04	3041405		\$ 5,620.82	3041405
Acc. depreciation 501-04	3051405		826.67	3051405
Acc. depreciation 501-04	3061405		2,729.55	3061405
Acc. depreciation 501-04	3071405		4,974.15	3071405
Acc. depreciation 501-04	3081405		45.00	3081405
(To record depreciation expense on CFP assets)				

# **PAMELA J. SIMPSON, C.P.A.**

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DECATUR, ILLINOIS 62526  
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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, 2008, 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. Several instances noted where the 50058 is submitted/completed after annual re-certification date.
2. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999. During my review of current depositories, I noted that the housing authority did not have a current executed form from at least one financial institution holding agency funds. I recommend that the Authority execute new depository agreements with all new financial institutions and for any that have undergone ownership or name changes.

3. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
4. During the preparation of financial statements, the housing authority has designated certain revenues and certain expenditures as 'operating' revenues or 'operating' expenditures and other accounts are designated as 'non operating'. I suggest that the Housing Authority adopt a formal policy that coincides with the current practice.

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.



Certified Public Accountant

Decatur, Illinois  
September 10, 2009