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AN EQUAL OPPORTUNITY EMPLOYER

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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, 2011 to December 31, 2011. 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, 2011 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, 2011

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

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Independent Auditor's Report

Board of Commissioners
Washington Housing Authority
Washington, Indiana

I have audited the accompanying financial statements of the Washington Housing Authority, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Washington Housing Authority's management. My responsibility is to express opinions on these 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 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 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, 2011 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 June 7, 2012 on my consideration of the Washington Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements with other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial systems. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Washington Housing Authority's basic financial statements. The 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 also not a required part of the basic 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 has been subjected to the auditing procedures and certain other additional procedures in accordance with auditing standards generally accepted in the United States of America . In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on it.

Decatur, Illinois
June 7, 2012



Certified Public Accountant

***Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2011***

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, 2011. The Washington Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2011, 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 three individual programs. They include the Low Rent Public Housing Program, the Capital Fund Program and the American Recovery and Reinvestment Act grant (ARRA).

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.

The ARRA Grant is a funding source resulting from the stimulus funding. 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.

Washington Housing Authority Management's Discussion and Analysis For the Year Ended December 31, 2011

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

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, 2011 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, 2011.

Washington Housing Authority Management's Discussion and Analysis For the Year Ended December 31, 2011

Financial Highlights

- The Washington Housing Authority's total net assets decreased from \$2,607,270 to \$2,340,164, a decrease of \$267,106. The total assets decreased by \$276,916 or 10%.
- The unrestricted net asset balance is reported at \$960,622 at December 31, 2011. This represents a decrease of \$132,129 or 12% from the previous year.
- Total revenues decreased from \$1,337,171 to \$1,053,414, a decrease of \$283,757 or 21%.
- Total expenses increased by \$112,517 from \$1,208,003 to \$1,320,520 for the current year. This represents an increase of 9%.

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, 2011 and December 31, 2010.

Summary Statement of Net Assets

<u>Category</u>	<u>FYE 2011</u>	<u>FYE 2010</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 1,029,434	\$ 1,171,373	\$ (141,939)	-12%
Fixed Assets (Net of Depreciation)	\$ 1,379,542	\$ 1,514,519	\$ (134,977)	-9%
Total Assets	\$ 2,408,976	\$ 2,685,892	\$ (276,916)	-10%
Current Liabilities	\$ 68,812	\$ 78,622	\$ (9,810)	-12%
Total Liabilities	\$ 68,812	\$ 78,622	\$ (9,810)	-12%
Unrestricted Net Assets	\$ 960,622	\$ 1,092,751	\$ (132,129)	-12%
Investment in Net Fixed Assets	\$ 1,379,542	\$ 1,514,519	\$ (134,977)	-9%
Total Net Assets	\$ 2,340,164	\$ 2,607,270	\$ (267,106)	-10%

Current Assets

The Authority's current asset balance decreased by \$141,939 from the previous year. Unrestricted cash and investments decreased from \$1,059,520 to \$995,314 from December 31, 2010 to December 31, 2011, a decrease of \$64,206. This was due to operating expenses exceeding operating revenues.

Fixed Assets

Fixed assets decreased primarily due to the accumulation of depreciation. Please note the capital asset portion presented in a later section.

Washington Housing Authority Management's Discussion and Analysis For the Year Ended December 31, 2011

Current Liabilities

Current liabilities decreased by \$9,810 primarily due to a reduction in the amount of wages and payroll taxes liabilities accrued at the current year end.

Net Assets

The Authority's total net asset balance decreased by \$267,106 from the previous year.

The Authority's unrestricted net assets decreased from \$1,092,751 to \$960,622, a decrease of \$132,129, or 12% for the current year. The primary reason of the decrease is due to excess operating expenses over operating revenues. 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 \$134,977 for the current fiscal year. This is primarily due to the depreciation expense charged to the current year.

Summary Statement of Revenues & Expenses and Changes in Net Assets Years Ended December 31, 2011 and 2010

<u>Category</u>	<u>FYE 2011</u>	<u>FYE 2010</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 505,534	\$ 491,942	\$ 13,592	3%
HUD Operating Grants	\$ 464,854	\$ 459,962	\$ 4,892	1%
Capital Grants	\$ 31,130	\$ 341,071	\$ (309,941)	-91%
Interest Income	\$ 22,944	\$ 24,836	\$ (1,892)	-8%
Other Revenue	\$ 28,952	\$ 19,360	\$ 9,592	50%
Total Revenue	\$ 1,053,414	\$ 1,337,171	\$ (283,757)	-21%
Administration	\$ 342,263	\$ 330,903	\$ 11,360	3%
Tenant Services	\$ 3,486	\$ 4,813	\$ (1,327)	-28%
Utilities	\$ 260,203	\$ 258,863	\$ 1,340	1%
Ordinary Maintenance	\$ 434,875	\$ 376,549	\$ 58,326	15%
General Expense	\$ 79,853	\$ 72,305	\$ 7,548	10%
Extraordinary Maintenance	\$ 20,497	\$ 2,561	\$ 17,936	700%
Depreciation	\$ 179,343	\$ 162,009	\$ 17,334	11%
Total Expenses	\$ 1,320,520	\$ 1,208,003	\$ 112,517	9%
Excess of Revenue over Expenses	\$ (267,106)	\$ 129,168	\$ (396,274)	-307%
Net Assets, Beginning of Year	\$ 2,607,270	\$ 2,478,102	\$ 129,168	5%
Net Assets, End of Year	\$ 2,340,164	\$ 2,607,270	\$ (267,106)	-10%

***Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2011***

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 \$283,757 during the current fiscal year. Significant differences between the years include:

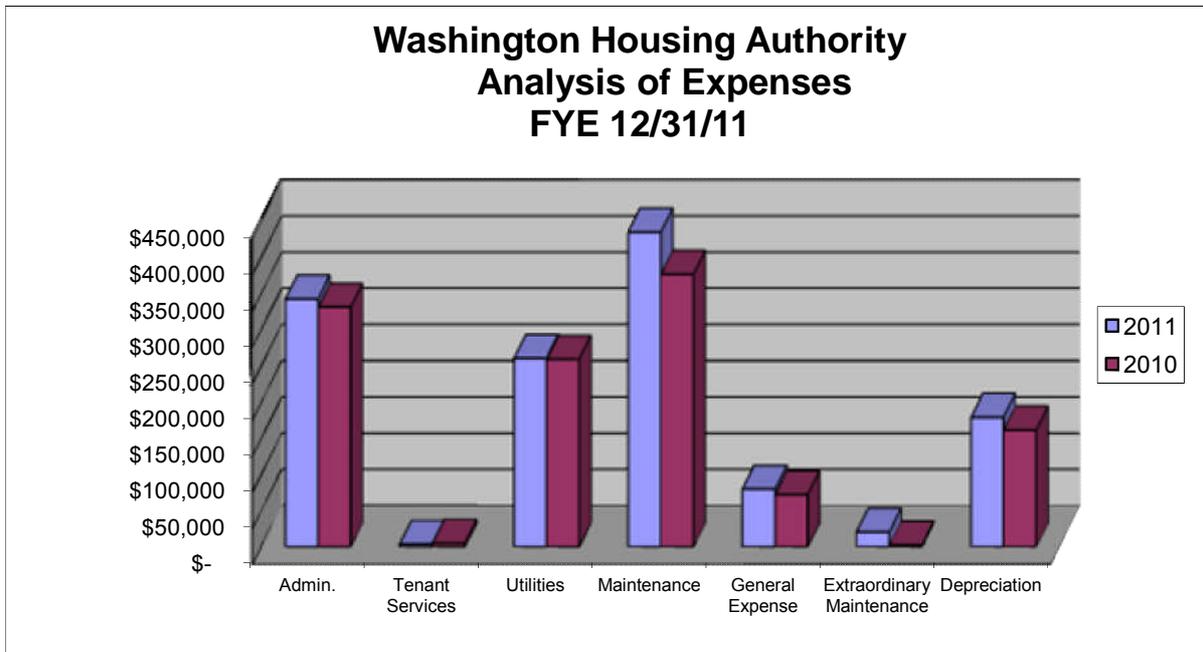
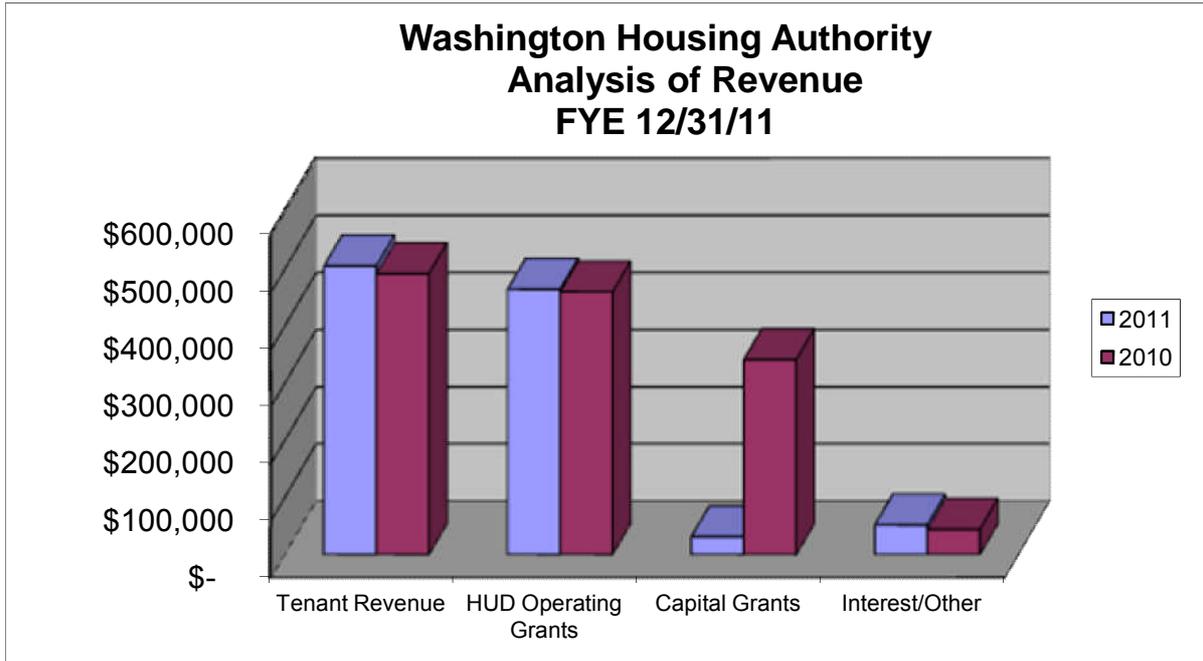
- Capital grants decreased by \$309,941 due to a reduction of activity relating to capital improvements in the Capital Fund Program and the ARRA program.
- Other revenue increased by \$9,592 due to the receipt of dividends from insurance policies.

Total expenses increased by \$112,517. Significant differences between the years include:

- Administration increased by \$11,360 primarily due to the increase of administrative benefits from \$89,070 to \$98,605, an increase of \$9,535.
- Ordinary maintenance increased by \$58,326. This is due to an increase in maintenance labor from \$163,750 in 2010 to \$201,566 in 2011. In addition, maintenance contract costs increased including garbage, heating & cooling, elevator maintenance, lawn care and pest control.
- Other general expenses increased by \$7,548 primarily due to the write off of vacated tenant balances.
- Extraordinary maintenance increased by \$17,936 due to hazmat cleanup and the repair of damage to a unit.

***Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2011***

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, 2011

Capital Assets

As of December 31, 2011, the Washington Housing Authority's investment in capital assets was \$1,379,542. This investment includes land, building, construction in progress, and equipment.

<u>Category</u>	<u>FYE 2011</u>	<u>FYE 2010</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 97,107	\$ 97,107	\$ -	0%
Buildings	\$ 5,617,654	\$ 5,188,982	\$ 428,672	8%
Equipment	\$ 266,526	\$ 271,360	\$ (4,834)	-2%
Construction in Progress	\$ 29,592	\$ 413,897	\$ (384,305)	-93%
Accumulated Depreciation	\$ (4,631,337)	\$ (4,456,827)	\$ (174,510)	4%
Total Net Fixed Assets	\$ 1,379,542	\$ 1,514,519	\$ (134,977)	-9%

The Buildings account increased due to the building improvement projects consisting of a HVAC and heat pump project funded by the 2009 CFP, ARRA grant and Low Rent Program. This account also increased due to an elevator, electrical and valve replacement project funded by the 2008 CFP.

The equipment account decreased due to the disposal of office equipment.

The construction in progress account consists of an electrical and masonry project being funded out of the 2009 and 2010 CFPs.

Additional Information

As part of the stimulus program, the Authority has received a formula funding in the amount of \$287,346. As of December 31, 2011, the Authority has fully expended the ARRA grant.

Subsequent Event

Due to potential HUD budget cuts in the 2012 federal fiscal year, agencies with more than 6 months of expense in reserve (working capital) may be subject to a recapture. As a result, revenue from operating subsidy has the potential to be significantly less in the upcoming fiscal year.

The Washington Housing Authority is preparing to upgrade the two forty plus year old elevators in the Washington Towers. Capital Fund Program money has been set aside from different years in order to prepare for this huge expenditure. Reserves may be needed depending on final bid costs. The loss of reserves will hinder this project that has been discussed for a couple of years due to the extra expense the two elevators are costing. The cost of our exterior wall when it fell from the building dwindled our reserves, plus the fact we are operating on these reserves in 2012. Reserves have been a valuable funding source for our authority as without them the unexpected could be disastrous. There are no lawsuits or grievances at this time. With the increase in the cost of material, future funding is a great concern for both the operating and capital funding.

***Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2011***

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, 2011**

ASSETS

CURRENT ASSETS

Cash	\$ 418,305
Accounts receivable (interfund eliminated)	4,883
Accrued interest receivable	2,009
Investments	575,090
Inventory	2,257
Deferred charges	<u>24,971</u>

Total Current Assets \$ 1,027,525

RESTRICTED ASSETS

Payment of current liabilities	<u>\$ 1,909</u>
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Total Restricted Assets \$ 1,909

CAPITAL ASSETS

Land, buildings and equipment	\$ 6,010,879
Less: Accumulated depreciation	<u>-4,631,337</u>

Total Capital Assets \$ 1,379,542

Total Assets \$ 2,408,976

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 34,055
Accrued liabilities	31,010
Deferred revenue	<u>3,747</u>

Total Current Liabilities \$ 68,812

NET ASSETS

Invested in capital assets	\$ 1,379,542
Unrestricted	<u>960,622</u>

Total Net Assets \$ 2,340,164

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2011**

Operating Income

Tenant rental revenue	\$ 492,504
Excess utilities	<u>13,030</u>
Total Rental Income	\$ 505,534
HUD grants - operating	464,854
Other revenue	<u>28,952</u>
Total Operating Income	<u>\$ 999,340</u>

Operating Expenses

Administration	\$ 342,263
Tenant services	3,486
Utilities	260,203
Ordinary maintenance and operation	434,875
General expense	78,643
Protective services	1,210
Extraordinary maintenance	20,497
Depreciation	<u>179,343</u>
Total Operating Expenses	<u>\$ 1,320,520</u>
Net Operating Income (Loss)	\$ -321,180

Nonoperating Income (Expense)

Interest income	22,944
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Capital Contributions

Capital Fund Grants	<u>31,130</u>
Changes in net assets	\$ -267,106
Net assets, beginning of year	<u>2,607,270</u>
Net assets, end of year	<u>\$ 2,340,164</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2011**

Operating Activities

Operating grants	\$ 504,944
Tenant revenue	552,915
Other revenue	28,952
Payments to employees	-357,544
Payments to suppliers and contractors	<u>-803,940</u>

Net Cash Provided (Used) by Operating Activities \$ -74,673

Investing Activities

Investments (purchased) redeemed	\$ 325,389
Interest income	<u>23,703</u>

Net Cash Provided (Used) by Investing Activities \$ 349,092

Capital and Related Financing Activities

HUD grants - capital	\$ 31,130
(Additions) deletions to fixed assets	<u>-44,366</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -13,236

Net Change in Cash \$ 261,183

Cash Balance at December 31, 2010 159,041

Cash Balance at December 31, 2011 \$ 420,224

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2011**

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

Net operating income (loss)	\$ -321,180
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	179,343
(Increase) decrease in accounts receivable	87,471
(Increase) decrease in deferred charges	-10,369
(Increase) decrease in inventories	-128
Increase (decrease) in accounts payable	9,981
Increase (decrease) in accrued liabilities	-20,090
Increase (decrease) in deferred revenues	<u>299</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -74,673</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2011**

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 Mayor, 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.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

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, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, in financial statement preparation 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
- * Formula Capital Fund Stimulus Grant

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 practice of the Housing Authority is to consider 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.

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2011, 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, 2011
(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, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(k) Income Tax -

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

(l) 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.

(m) 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.

(n) 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.

(o) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disables residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2011
(CONTINUED)

Note 1 - Summary of Significant Accounting Policies

- (p) Rental income is recognized as rents become due.
- (q) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

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 \$250,000 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, 2011
(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	\$ 420,224	\$ 475,219

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	\$ 575,090	\$ 575,090

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2011
(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 with Public Employee Retirement Fund. 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 15.0% and 3.0% 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, 2011, actual contributions were \$50,466. Total annual payroll expense was \$254,102.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 2,738
Allowance for doubtful accounts	-1,085
Accounts receivable - HUD	<u>3,230</u>
 Total	 <u><u>\$ 4,883</u></u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2011
(CONTINUED)**

Note 6 - Investments

At December 31, 2011 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Savings	0.05%	\$ 1,853	\$ 1,853
Certificates of deposit	0.50 - 5.15%	<u>573,237</u>	<u>573,237</u>
Total		<u>\$ 575,090</u>	<u>\$ 575,090</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 24,971</u>
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Note 8 - Fixed Assets

Balance as of December 31, 2011	\$ 1,379,542
Balance as of December 31, 2010	<u>1,514,519</u>
Net Increase (Decrease)	<u>\$ -134,977</u>

Reconciliation

Replacement of nonexpendable equipment	\$ 13,236
Additions	31,130
Current year depreciation expense	<u>-179,343</u> *
Net Increase (Decrease)	<u>\$ -134,977</u>

<u>Analysis</u>	<u>01/01/2011 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2011 Balance</u>
Land	\$ 97,107	\$ 0	\$ 0	\$ 97,107
Buildings	5,188,983	428,671	0	5,617,654
Equipment and furniture	271,359	0	4,833	266,526
Construction in progress	<u>413,897</u>	<u>31,130</u>	<u>415,435</u>	<u>29,592</u>
Total	\$ 5,971,346	\$ 459,801	\$ 420,268	\$ 6,010,879
Accumulated depreciation	<u>-4,456,827</u>	<u>-179,343</u>	<u>-4,833</u>	<u>-4,631,337</u>
Net Assets	<u>\$ 1,514,519</u>	<u>\$ 280,458</u>	<u>\$ 415,435</u>	<u>\$ 1,379,542</u>

*Current year depreciation expense recognized.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2011
(CONTINUED)**

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 1,909
Tenants security deposits	20,415
Accrued liabilities - other	<u>11,731</u>
 Total	 <u>\$ 34,055</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 and payroll taxes	\$ 7,780
Payment in lieu of taxes	<u>23,230</u>
 Total	 <u>\$ 31,010</u>

Note 12 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 3,747</u>
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**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2011
(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 - Contracts/Commitments

As of December 31, 2011, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-09	\$ 245,265	\$ 131,249
CFP 501-10	<u>244,818</u>	<u>70,182</u>
Total	<u>\$ 490,083</u>	<u>\$ 201,431</u>

Note 15 - 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 16 - Economic Dependency

The Housing Authority received a large percentage of its revenue (47%) 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, 2011**

<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 12/31/11	\$ 360,708	\$ 360,708	\$ 360,708
Public Housing - Capital Fund	14.872	C-590	FYE 12/31/11	\$ 717,081	\$ 112,294	\$ 112,294
A.R.R.A. -Formula Capital Fund Stimulus Grant	14.885	C-590	FYE 12/31/11	\$ 287,346	\$ 22,982	\$ 22,982
Total Housing Assistance				<u>\$ 1,365,135</u>	<u>\$ 495,984</u>	<u>\$ 495,984</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P030501-07**

1. The Actual Modernization Costs of Phase IN36P030501-07 are as follows:

Funds approved	\$ 231,046
Funds expended	<u>231,046</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 231,046
Funds expended	<u>231,046</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 January 31, 2012, 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.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P030501-08**

1. The Actual Modernization Costs of Phase IN36P030501-08 are as follows:

Funds approved	\$ 235,000
Funds expended	<u>227,007</u>
Excess of Funds Approved	<u><u>\$ -7,993</u></u>
Funds advanced	
Grants	\$ 227,007
Funds expended	<u>227,007</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 January 31, 2012, 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.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36S030501-09**

1. The Actual Modernization Costs of Phase IN36S030501-09 are as follows:

Funds approved	\$ 287,346
Funds expended	<u>287,346</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 287,346
Funds expended	<u>287,346</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 January 27, 2012, 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.

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

Board of Commissioners
Washington Housing Authority
Washington, Indiana

I have audited the financial statements of Washington Housing Authority as of and for the year ended December 31, 2011, and have issued my report thereon dated June 7, 2012. 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 Washington Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Washington Housing Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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, regulations, 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 such 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 I reported to management of Washington Housing Authority in a separate letter dated June 7, 2012.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois
June 7, 2012

Certified Public Accountant

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2010 contained no findings.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X_____ no

* Significant deficiency (ies) identified? _____ 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? _____ yes X_____ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes X_____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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NONE

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X_____ yes _____ no

**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 or Jane Neeley, during the course of the audit and at an exit conference held June 7, 2012.

Section III - Federal Award Findings

There were no federal award audit findings discussed with William O'Brian, Executive Director or Jane Neeley, during the course of the audit and at an exit conference held June 7, 2012.

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Washington Housing Authority (IN030)

WASHINGTON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2011

	Project Total	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$397,900		\$397,900		\$397,900
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits	\$20,415		\$20,415		\$20,415
115 Cash - Restricted for Payment of Current Liabilities	\$1,909		\$1,909		\$1,909
100 Total Cash	\$420,224	\$0	\$420,224	\$0	\$420,224
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$3,230		\$3,230		\$3,230
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous	\$0		\$0		\$0
126 Accounts Receivable - Tenants	\$2,738		\$2,738		\$2,738
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,085		-\$1,085		-\$1,085
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable	\$2,009		\$2,009		\$2,009
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$6,892	\$0	\$6,892	\$0	\$6,892
131 Investments - Unrestricted	\$575,090		\$575,090		\$575,090
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$24,971		\$24,971		\$24,971
143 Inventories	\$2,508		\$2,508		\$2,508
143.1 Allowance for Obsolete Inventories	-\$251		-\$251		-\$251
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$1,029,434	\$0	\$1,029,434	\$0	\$1,029,434
161 Land	\$97,107		\$97,107		\$97,107
162 Buildings	\$5,617,654		\$5,617,654		\$5,617,654
163 Furniture, Equipment & Machinery - Dwellings					
164 Furniture, Equipment & Machinery - Administration	\$266,526		\$266,526		\$266,526
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$4,631,337		-\$4,631,337		-\$4,631,337
167 Construction in Progress	\$29,592		\$29,592		\$29,592
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,379,542	\$0	\$1,379,542	\$0	\$1,379,542
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0		\$0		\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$0		\$0		\$0
173 Grants Receivable - Non Current					
174 Other Assets	\$0		\$0		\$0
176 Investments in Joint Ventures	\$0		\$0		\$0
180 Total Non-Current Assets	\$1,379,542	\$0	\$1,379,542	\$0	\$1,379,542
190 Total Assets	\$2,408,976	\$0	\$2,408,976	\$0	\$2,408,976

Washington Housing Authority (IN030)

WASHINGTON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2011

	Project Total	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$1,909		\$1,909		\$1,909
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$7,780		\$7,780		\$7,780
322 Accrued Compensated Absences - Current Portion					
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs	\$0		\$0		\$0
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$23,230		\$23,230		\$23,230
341 Tenant Security Deposits	\$20,415		\$20,415		\$20,415
342 Deferred Revenues	\$3,747		\$3,747		\$3,747
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0		\$0		\$0
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other	\$11,731		\$11,731		\$11,731
347 Inter Program - Due To					
348 Loan Liability - Current	\$0		\$0		\$0
310 Total Current Liabilities	\$68,812	\$0	\$68,812	\$0	\$68,812
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0		\$0		\$0
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current					
355 Loan Liability - Non Current	\$0		\$0		\$0
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$68,812	\$0	\$68,812	\$0	\$68,812
508.1 Invested In Capital Assets, Net of Related Debt	\$1,379,542		\$1,379,542		\$1,379,542
509.2 Fund Balance Reserved					
511.2 Unreserved, Designated Fund Balance					
511.1 Restricted Net Assets					
512.1 Unrestricted Net Assets	\$960,622	\$0	\$960,622		\$960,622
512.2 Unreserved, Undesignated Fund Balance					
513 Total Equity/Net Assets	\$2,340,164	\$0	\$2,340,164	\$0	\$2,340,164
600 Total Liabilities and Equity/Net Assets	\$2,408,976	\$0	\$2,408,976	\$0	\$2,408,976

Washington Housing Authority (IN030)
 WASHINGTON, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2011

	Project Total	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$492,504		\$492,504		\$492,504
70400 Tenant Revenue - Other	\$13,030		\$13,030		\$13,030
70500 Total Tenant Revenue	\$505,534	\$0	\$505,534	\$0	\$505,534
70600 HUD PHA Operating Grants	\$464,854		\$464,854		\$464,854
70610 Capital Grants	\$8,148	\$22,982	\$31,130		\$31,130
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue			\$0	\$0	\$0
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$22,944		\$22,944		\$22,944
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$28,952		\$28,952		\$28,952
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$1,030,432	\$22,982	\$1,053,414	\$0	\$1,053,414
91100 Administrative Salaries	\$155,978		\$155,978		\$155,978
91200 Auditing Fees	\$4,850		\$4,850		\$4,850
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing	\$2,718		\$2,718		\$2,718
91500 Employee Benefit contributions - Administrative	\$98,605		\$98,605		\$98,605
91600 Office Expenses	\$26,976		\$26,976		\$26,976
91700 Legal Expense					
91800 Travel	\$17,335		\$17,335		\$17,335
91810 Allocated Overhead					
91900 Other	\$35,801		\$35,801		\$35,801
91000 Total Operating - Administrative	\$342,263	\$0	\$342,263	\$0	\$342,263
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$3,486		\$3,486		\$3,486
92500 Total Tenant Services	\$3,486	\$0	\$3,486	\$0	\$3,486

Washington Housing Authority (IN030)
WASHINGTON, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2011

	Project Total	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
93100 Water	\$33,197		\$33,197		\$33,197
93200 Electricity	\$118,016		\$118,016		\$118,016
93300 Gas	\$54,584		\$54,584		\$54,584
93400 Fuel					
93500 Labor					
93600 Sewer	\$54,406		\$54,406		\$54,406
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$260,203	\$0	\$260,203	\$0	\$260,203
94100 Ordinary Maintenance and Operations - Labor	\$201,566		\$201,566		\$201,566
94200 Ordinary Maintenance and Operations - Materials and Other	\$86,054		\$86,054		\$86,054
94300 Ordinary Maintenance and Operations Contracts	\$70,741		\$70,741	\$0	\$70,741
94500 Employee Benefit Contributions - Ordinary Maintenance	\$76,514		\$76,514		\$76,514
94000 Total Maintenance	\$434,875	\$0	\$434,875	\$0	\$434,875
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs	\$1,210		\$1,210		\$1,210
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$1,210	\$0	\$1,210	\$0	\$1,210
96110 Property Insurance	\$34,243		\$34,243		\$34,243
96120 Liability Insurance	\$5,260		\$5,260		\$5,260
96130 Workmen's Compensation	\$4,558		\$4,558		\$4,558
96140 All Other Insurance	\$461		\$461		\$461
96100 Total Insurance Premiums	\$44,522	\$0	\$44,522	\$0	\$44,522
96200 Other General Expenses	\$4,261		\$4,261		\$4,261
96210 Compensated Absences					
96300 Payments in Lieu of Taxes	\$23,230		\$23,230		\$23,230
96400 Bad debt - Tenant Rents	\$6,630		\$6,630		\$6,630
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$34,121	\$0	\$34,121	\$0	\$34,121
96710 Interest of Mortgage (or Bonds) Payable					
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,120,680	\$0	\$1,120,680	\$0	\$1,120,680
97000 Excess of Operating Revenue over Operating Expenses	-\$90,248	\$22,982	-\$67,266	\$0	-\$67,266

Washington Housing Authority (IN030)
WASHINGTON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2011

	Project Total	14,885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$20,497		\$20,497		\$20,497
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments					
97350 HAP Portability-In					
97400 Depreciation Expense	\$179,343		\$179,343		\$179,343
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$1,320,520	\$0	\$1,320,520	\$0	\$1,320,520
10010 Operating Transfer In	\$104,146		\$104,146	-\$104,146	\$0
10020 Operating transfer Out	-\$104,146		-\$104,146	\$104,146	\$0
10030 Operating Transfers from/to Primary Government	\$0		\$0		\$0
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$290,088	\$22,982	-\$267,106	\$0	-\$267,106
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$2,607,270	\$0	\$2,607,270		\$2,607,270
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$22,982	-\$22,982	\$0		\$0
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity					
11180 Housing Assistance Payments Equity					
11190 Unit Months Available	2280		2280		2280
11210 Number of Unit Months Leased	2262		2262		2262
11270 Excess Cash	\$840,004		\$840,004		\$840,004
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$31,130		\$31,130		\$31,130
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0		\$0
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

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, 2011, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authority's 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. During the audit of expenditures (tests for reasonableness, allowability and proper procurement), it came to my attention that the Housing Authority has two separate policies covering travel expenses. One policy address only "Travel" and the other policy is a part of the 'Personnel Policy' distributed to employees. These two separate policies do not coincide in all areas, thus causing a conflict in administering travel expenditures.

The "Personnel" policy states that expense reports are required within 10 days after the travel and should include all receipts attached if available, although expenditures under \$10 do not require receipts. The "Travel" policy indicates that a claim for reimbursement must be submitted within 60 days and must be accompanied by supporting documentation.

The "Personnel" policy states that expenses are reimbursed at the IRS published rates plus \$50 per day, while the "Travel" policy indicates that travelers will receive a per diem. Neither policy addresses the taxability of any expenditures as required by IRS guidelines (for unsupported reimbursements).

The "Personnel" policy indicates that mileage is reimbursed at the IRS rate while the "Travel" policy indicates the reimbursement rate is 48.5¢.

The "Travel Policy" is more extensive and covers more detail (reimbursement of spousal travel, exceptions are allowed if requested and approved in writing, etc)

I suggest that these policies be reviewed and that one combined policy be formulated in order to avoid confusion and conflict in administering the travel policies.

2. While reviewing actual reimbursed expenditures, I also noted instances where travel was not reimbursed according to policy as follows:
 - a. Both policies require the most direct and economical travel be utilized, but in some instances, travel by car with hotel rooms was reimbursed without consideration given to the more economical travel by plane.
 - b. Travel advances were supplied to travelers and no follow up expense reports were utilized.

A comprehensive travel policy must be developed in order to determine if travel expenditures are allowable.

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
June 7, 2012

Certified Public Accountant