



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B46996

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

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

October 6, 2016

Board of Commissioners
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, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Washington Housing Authority, as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

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

TWELVE MONTHS ENDED DECEMBER 31, 2015

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

TABLE OF CONTENTS

Auditor’s Report 1
Management’s Discussion and Analysis 3

FINANCIAL STATEMENTS

Statement of Fund Net Position as of December 31, 2015 10
Statement of Revenues, Expenses and Changes in Fund Net Position -
Proprietary Funds - Twelve Months Ended December 31, 2015 11
Statement of Cash Flows - Twelve Months Ended December 31, 2015 12
Notes to Financial Statements 14

SUPPLEMENTAL DATA

Schedule of Expenditure of Federal Awards 30
PHA’s Statement and Certification of Actual Modernization Cost -
Phase IN36P030501-11 31
Independent Auditor’s 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 32
Financial Data Schedule - REAC Electronic Submission 34



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, 2015, and the related notes to the financial statements, which collectively comprise the Washington Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Washington Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Washington Housing Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Housing Authority, as of December 31, 2015 and the changes in its financial position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 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 statements. 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.

Report on Supplemental Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Washington Housing Authority's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Further, the financial data schedules shown on pages 34 to 38 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the above described supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 24, 2016 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, grant agreements, and 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 the internal control over financial reporting or on compliance. This report is an integral part of a *Government Auditing Standards* and should be considered in assessing the results of my audit.



Certified Public Accountant

Decatur, Illinois
May 24, 2016

***Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2015***

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, 2015. The Washington Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2015, 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. The information contained herein this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority has four individual programs. They include the Low Rent Public Housing Program, the Capital Fund Program, the Neighborhood Stabilization Program, and a Business Activity.

- 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 (CFP) 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 Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.
- The Neighborhood Stabilization Program (NSP) consists of 6 dwelling units. This program was established to revitalize and rebuild local neighborhoods. Funding is provided based on dwelling rents paid by the tenants.
- The Business Activity manages a privately owned Rural Rental Assistance Project.

Overview of the Financial Statements

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

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

***Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2015***

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

- Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets.
- Restricted component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through enabling legislation.
- Unrestricted component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of Net Position is basically the amount of resources available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended December 31, 2015, to determine the net change in net position 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, 2015.

Financial Highlights

The Washington Housing Authority's net position decreased from \$2,683,054 to \$2,482,955, a decrease of \$200,099 or 7%. Total assets also decreased by \$19,071 or 1%.

Total revenue increased from \$1,058,270 to \$1,221,119, an increase of \$162,849 or 15%.

Total expenses increased by \$19,989, from \$1,229,579 to \$1,249,568 for the current year. This represents an increase of 2%.

***Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2015***

Housing Authority Activities & Highlights

The 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 summary of net position for the year ended December 31, 2015, and December 31, 2014.

**Summary Statement of Net Position
As of December 31, 2015 and 2014**

<u>Category</u>	<u>FYE 2015</u>	<u>FYE 2014</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 600,459	\$ 475,836	\$ 124,623	26%
Noncurrent Assets	\$ 2,142,382	\$ 2,286,076	\$ (143,694)	-6%
Total Assets	\$ 2,742,841	\$ 2,761,912	\$ (19,071)	-1%
Deferred Outflow of Resources	\$ 83,538	\$ -	\$ 83,538	NA
Current Liabilities	\$ 85,652	\$ 78,858	\$ 6,794	9%
Noncurrent Liabilities	\$ 223,195	\$ -	\$ 223,195	NA
Total Liabilities	\$ 308,847	\$ 78,858	\$ 229,989	292%
Deferred Inflow of Resources	\$ 34,577	\$ -	\$ 34,577	NA
Unrestricted	\$ 340,573	\$ 396,978	\$ (56,405)	-14%
Restricted	\$ -	\$ -	\$ -	NA
Net Investment in Capital Assets	\$ 2,142,382	\$ 2,286,076	\$ (143,694)	-6%
Total Net Position	\$ 2,482,955	\$ 2,683,054	\$ (200,099)	-7%

Current Assets

The Authority's current asset balances increased by \$124,623. Unrestricted cash/investments increased from \$427,244 at December 31, 2014 to \$555,436 at December 31, 2015. This is primarily due to a transfer of operating revenue from the CFP Program to the Low Rent Program in the amount of \$119,125.

Noncurrent Assets

The Authority's noncurrent asset balance decreased primarily due to the accumulation of depreciation. Please note the capital asset portion presented in a later section.

Current Liabilities

Current liabilities increased by \$6,794. This was due to an increase in accrued wages in the amount of \$807, PILOT liability in the amount of \$1,824, tenant security deposits in the amount of \$371, and tenant prepaid rents in the amount of \$3,532.

***Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2015***

Noncurrent Liabilities

The Authority's noncurrent asset balance increased primarily due to the recording of a pension plan. The Authority participates in the Indiana Public Retirement System (INPRS). Due to the requirements set forth in GASB Statement 68, a balance was recorded as pension liability in the amount of \$223,195.

Net Position

The net position of the Authority decreased \$200,099 compared to the previous fiscal year.

The Authority's unrestricted component of net position changed from \$396,978 to \$340,573, a decrease of \$56,405, or 14% for the current year. This was primarily due to prior year adjustments related to GASB statement 68 in the amount of \$171,650. In contrast, the Authority transferred operating revenue from the CFP Program to the Low Rent Program in the amount of \$119,125, reducing the impact of the adjustments for GASB # 68. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines. Individual program balances that comprise the unrestricted component of net position are as follows:

Low Rent Housing Program	\$ 335,070
NSP Program	4,465
Business Activities	<u>1,038</u>
Total Unrestricted Net Assets	<u>\$ 340,573</u>

Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2015

Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended December 31, 2015 and 2014

<u>Category</u>	<u>FYE 2015</u>	<u>FYE 2014</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 633,855	\$ 604,017	\$ 29,838	5%
HUD Operating Grants	\$ 544,987	\$ 422,323	\$ 122,664	29%
Capital Grants	\$ 17,171	\$ 11,673	\$ 5,498	47%
Interest Income	\$ 5,648	\$ 6,488	\$ (840)	-13%
Other Revenue	\$ 19,458	\$ 13,769	\$ 5,689	41%
Total Revenue	\$ 1,221,119	\$ 1,058,270	\$ 162,849	15%
Administration	\$ 316,998	\$ 310,773	\$ 6,226	2%
Tenant Service	\$ 19,584	\$ 18,123	\$ 1,461	8%
Utilities	\$ 316,460	\$ 308,003	\$ 8,457	3%
Ordinary Maintenance	\$ 321,642	\$ 315,212	\$ 6,429	2%
General Expense	\$ 100,586	\$ 103,298	\$ (2,712)	-3%
Extraordinary Maint/Casualty Losses	\$ 13,433	\$ -	\$ 13,433	NA
Depreciation	\$ 160,865	\$ 174,170	\$ (13,305)	-8%
Total Expenses	\$ 1,249,568	\$ 1,229,579	\$ 19,989	2%
Increase (Decrease) in Net Position	\$ (28,449)	\$ (171,309)	\$ 142,860	-83%
Net Position, Beginning of Year	\$ 2,683,054	\$ 2,854,363	\$ (171,309)	-6%
Prior Year Adjustments	\$ (171,650)	\$ -	\$ (171,650)	NA
Net Position, End of Year	\$ 2,482,955	\$ 2,683,054	\$ (200,099)	-7%

Results of Operations

Revenues of the Authority are generated principally Federal and State funding grant income. The Authority's revenue increased by \$162,849 compared to the previous fiscal year.

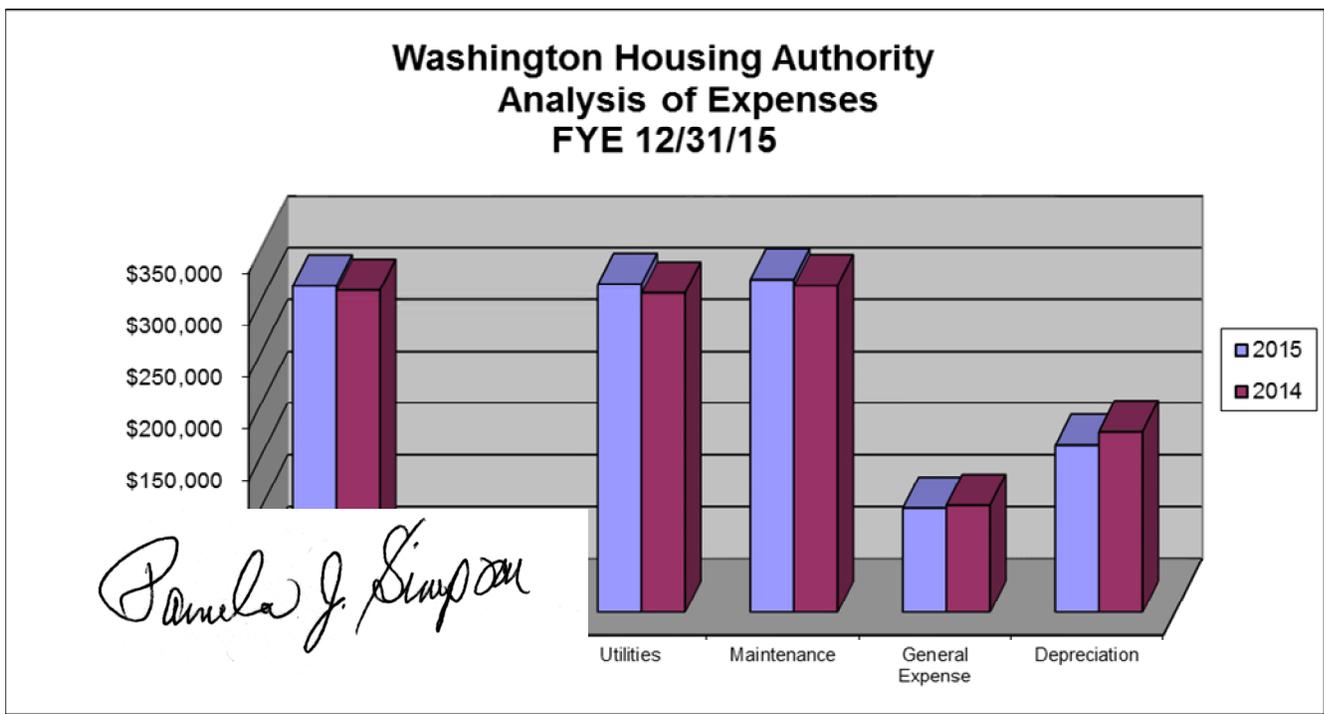
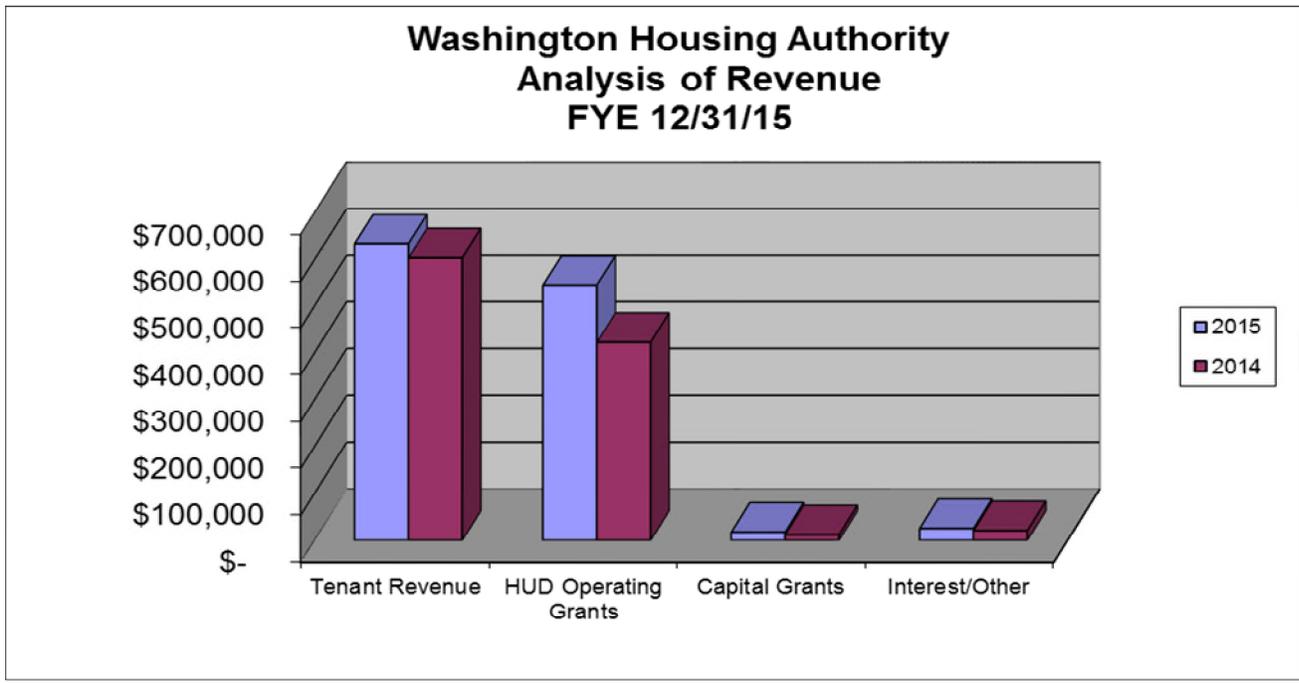
- Tenant revenue increased by \$29,838. This was primarily due to an increase in the average monthly rent charged per unit associated with the Low Rent Program. Average monthly rent per unit increased from \$228 per unit leased in the prior year to \$240 per unit leased in the current year.
- HUD operating grants increased by \$122,664. This was due to an increase in CFP operating grants in the amount of \$61,949 and Low Rent operating subsidy in the amount of \$60,714.
- Capital grants increased by \$5,498. This was due to an increase in capital improvement projects associated with the CFP program.
- Other revenue increased by \$5,689. This was primarily due to insurance proceeds received by the Low Rent Program for car damages. In addition, the management fund received management fee revenue that was classified as other revenue.

Washington Housing Authority Management's Discussion and Analysis For the Year Ended December 31, 2015

Total expenses increased by \$19,989. Significant variances include the following:

- Extraordinary maintenance and casualty losses consists of car repairs for a few vehicles.

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



***Washington Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2015***

Capital Assets

As of December 31, 2015, the Washington Housing Authority's net investment in capital assets was \$2,142,382. This investment includes building improvements and equipment.

Category	FYE 2015	FYE 2014	Change \$	Change %
Land	\$ 99,607	\$ 99,607	\$ -	0%
Buildings	\$ 7,050,961	\$ 7,040,083	\$ 10,878	0%
Equipment	\$ 283,560	\$ 277,267	\$ 6,293	2%
Construction in Progress	\$ 1,398	\$ 1,398	\$ -	0%
Accumulated Depreciation	\$ (5,293,144)	\$ (5,132,279)	\$ (160,865)	3%
Total Net Fixed Assets	\$ 2,142,382	\$ 2,286,076	\$ (143,694)	-6%

Additional information regarding capital assets can be found in "Notes to Financial Statements".

Buildings increased by due to the replacement of two automatic doors funded by the 2013 CFP.

Equipment increased due to the purchase of a vending machine and office equipment funded by the 2011, 2012, and 2013 CFP.

Long term Debt

Due to the Authority's participation in the Indiana Public Retirement System, GASB statement #68 requires the recording of the liabilities. The amount of long term debt associated with the pension plan as of December 31, 2015 is \$223,195.

Subsequent Event

As of the time of this analysis, HUD has not finalized the funding levels for the 2016 calendar year. It has been projected operating subsidy for the Low Rent Housing Program will be 89%.

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 FUND NET POSITION - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2015**

ASSETS

Cash - operating	\$ 340,841
Cash - restricted	23,011
Receivables (net)	3,182
Accrued interest receivable	1,752
Investments	214,595
Inventory (net)	1,141
Prepaid expenses	15,937

Capital assets:

Land, land improvements and construction in progress	\$ 101,005
Other capital assets, net of depreciation	<u>2,041,377</u>

Total Capital Assets \$ 2,142,382

Total Assets \$ 2,742,841

DEFERRED OUTFLOWS OF RESOURCES (Note 10) \$ 83,538

TOTAL **\$ 2,826,379**

LIABILITIES

Accounts payable	\$ 23,664
Other liabilities	51,671
Unearned revenue	10,317

Noncurrent liabilities:

Accrued pension	<u>223,195</u>
-----------------	----------------

Total Liabilities \$ 308,847

DEFERRED INFLOWS OF RESOURCES (Note 15) \$ 34,577

NET POSITION

Net investment in capital assets	\$ 2,142,382
Unrestricted	<u>340,573</u>

Total Net Position \$ 2,482,955

TOTAL **\$ 2,826,379**

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2015**

Operating Income

Tenant rental revenue	\$ 581,550
Excess utilities	<u>52,305</u>
Total Rental Income	\$ 633,855
HUD grants - operating	544,987
Other revenue	<u>19,458</u>
Total Operating Income	<u>\$ 1,198,300</u>

Operating Expenses

Administration	\$ 316,998
Tenant services	19,584
Utilities	316,460
Ordinary maintenance and operation	321,642
Protective services	170
General expense	100,416
Extraordinary maintenance	8,746
Depreciation	<u>160,865</u>
Total Operating Expenses	<u>\$ 1,244,881</u>
Net Operating Income (Loss)	\$ -46,581

Nonoperating Income (Expense)

Interest income	5,648
Casualty loss	-4,687

Capital Contributions

Capital fund grants	<u>17,171</u>
Changes in net position	\$ -28,449
Net position, beginning of year	2,683,054
Prior period adjustments	<u>-171,650</u>
Net position, end of year	<u><u>\$ 2,482,955</u></u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2015**

Operating Activities

Operating grants	\$ 544,987
Tenant revenue	632,964
Other revenue	19,458
Payments to employees	-307,153
Payments to suppliers and contractors	<u>-773,484</u>

Net Cash Provided (Used) by Operating Activities \$ 116,772

Investing Activities

Investments (purchased) redeemed	\$ -39,664
Interest income	<u>5,006</u>

Net Cash Provided (Used) by Investing Activities \$ -34,658

Capital and Related Financing Activities

HUD grants - capital	\$ 17,171
(Additions) deletions to fixed assets	<u>-17,171</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ 0

Net Change in Cash \$ 82,114

Cash Balance at December 31, 2014 281,738

Cash Balance at December 31, 2015 \$ 363,852

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2015**

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

Net operating income (loss)	\$ -46,581
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	160,865
Casualty losses	-4,687
(Increase) decrease in accounts receivable	-891
(Increase) decrease in prepaid expenses	-,1094
(Increase) decrease in inventories	-218
(Increase) decrease in deferred outflows	-69,353
Increase (decrease) in accounts payable	356
Increase (decrease) in other liabilities	2,906
Increase (decrease) in unearned revenues	3,532
Increase (decrease) in pension liability	37,360
Increase (decrease) in deferred inflows	<u>34,577</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 116,772</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015**

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.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(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:

- * Public and Indian Housing
- * Public Housing Capital Funds
- * Community Development Block Grants/State Programs
- * Business Activities

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 Net Investment in Capital Assets, Restricted and Unrestricted.

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the policy 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 three (3) months or less when purchased to be cash equivalents.

(f) Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net position and have been eliminated in the basic financial statements.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2015, 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.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) Capital 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 one thousand five hundred dollars (\$1,500) 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	15 - 40	years
Equipment	3 - 5	years
Leasehold improvements	15	years

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(k) Net Position -

GASB Statement 63 requires the classification of net position into three components as defined below:

- 1) Net investment in capital assets - capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction or improvement of those assets.
- 2) Restricted - restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- 3) Unrestricted - amounts not required to be reported in the other components of net position.

(l) Income Tax -

The Authority, organized under Indiana state law as a political subdivision subsidized by the Federal government, is exempt from Federal and State income taxes.

(m) 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.

- (n) 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.
- (o) 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.
- (p) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled 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, 2015
(CONTINUED)

Note 1 - Summary of Significant Accounting Policies

- (q) Rental income is recognized as rents become due.
- (r) 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, 2015
(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>
Public and Indian Housing	\$ 531,242	\$ 577,968
Community Development Block Grants	44,518	44,518
Business Activities	<u>2,687</u>	<u>1,337</u>
Total	<u>\$ 578,447</u>	<u>\$ 623,823</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 1st of January. No annual leave will be carried over into the next year.

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 4 hours per month for a total of 48 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, 2015
(CONTINUED)**

Note 4 - Defined Benefit Plan

Description of Pension Plan

The Washington Housing Authority participates in a cost-sharing multiple-employer Pension Plan, as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Indiana Employees' Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective as of July 1, 2011.

INPRS provides benefit provisions to the following statewide pension groups under one plan, as provided by Indiana Law:

Public employees, which includes:

State employees

Local employees

TRF

Police and Firemen

Judges

Prosecuting Attorneys

Legislators Retirement:

Defined Benefit

Deferred Contributions

Substantially all public employees in Indiana are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected. Those employees participating in the Pension Plan for the Housing Authority are included in the Local employees group. INPRS issues a stand-alone comprehensive annual financial report, which is available on the INPRS website at www.INGOV.INPRS.

Benefits

Benefits are established by statute and may only be changed by the General Assembly. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85. Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by Indiana Law.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Indiana Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Indiana, for all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by Indiana Law.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 4 - Defined Benefit Plan: (Continued)

Contributions

The State of Indiana is obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2.11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During fiscal year 2015, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 11.03 percent was required from employers during the period of July 1 - December 31, 2014, and an average contribution rate of 11.19 percent was required for the period of January 1 - June 30, 2015. For the ASA Only Plan, the State was also required to contribute 11.2 percent of covered payroll. In accordance to IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less than 3 percent and not be greater than normal cost of the fund which was 4.6 percent for fiscal year 2015 and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan.

The PERF Hybrid Plan or the PERF ASA Only Plan members contribute three (3) percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make contributions on behalf of the member. The employer shall pay the member's contributions on behalf of the member for the PERF ASA Only Plan. In addition, members of the PERF Hybrid Plan (effective 7/1/2014 the PERF ASA Only Plan may also participate) may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

Employer Allocations

Although INPRS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

Public employees, which includes:
 State employees
 Local employees
 TRF
 Police and Firemen
 Judges
 Prosecuting Attorneys

Legislators Retirement:
 Defined Benefit
 Deferred Contributions

To facilitate the separate (sub) actuarial valuations, INPRS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and non-employer allocations are applied to amounts presented in the schedules of pension amounts by employer and non-employer.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 4 - Defined Benefit Plan: (Continued)

Employer Allocations (Continued)

The allocation percentages for the Housing Authority's share of the collective pension amounts as of June 30, 2015 and 2014 was based on the ratio of its contributions to the total of the employer and non-employer contributions of the group for the fiscal years ended June 30, 2015 and 2014, respectively.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015, the Housing Authority's proportion was 0.00548%.

Net Pension Liability

At June 30, 2015 and 2014, the Housing Authority reported a liability of \$223,195 and \$159,516, respectively, for its proportionate share of the net pension liability.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, which was based on plan experience from July 1, 2011 through June 30, 2014, using the following actuarial assumptions:

Price inflation	2.25%
Wage inflation	3.00%
Salary increases, including wage increases	2.50% to 12.50%, including inflation
Long-Term rate of return, net of investment expense, and including price inflation	6.75%

Mortality rates were based on the RP-2014 White Collar Mortality Table with Social Security Administration generational projection scale from 2006.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 4 - Defined Benefit Plan: (Continued)

Actuarial Assumptions (Continued)

Asset Class	Long-Term Target Allocations	Long-Term Expected Real Rate of Return
Global equity	47%	6%
Fixed income	14%	0.85%
Yield driven	8%	5.50%
Real return	11%	3.75%
Real estate	11%	6.65%
Alternative	8%	9.50%
Short-term investments	1%	0%
TOTAL	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected INPRS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police & Firemen, and Judges. Future employer contribution rates were also modeled for Police & Firemen and Judges, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the Housing Authority's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	Discount rate (6.75%)	1% Increase (7.75%)
\$329,232	\$223,195	\$135,165

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 4 - Defined Benefit Plan: (Continued)

Pension Expense

For the year ended June 30, 2015, the Housing Authority recognized pension expense of \$31,080, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected	\$5,581	\$462
Net differences between projected and actual investment earnings on pension plan investments	\$37,633	\$20,991
Changes in assumptions	\$18,867	\$0
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$3,272	\$13,124
Contributions made after plan year end	\$0	\$0
TOTAL	\$69,353	\$34,577

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction of the NPL in 2106:

Amortization of net deferred outflows/(inflows) of resources - debit (credit)

2016	\$	9,950
2017		9,950
2018		5,469
2019		9,407
2020		0
Thereafter		0

The information presented above has not been audited.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 5 - Post-Employment Benefits

The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Note 6 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 5,271
Allowance for doubtful accounts - tenants	<u>-2,089</u>
Subtotal	\$ 3,182
Interfund	<u>18,306</u>
Total	<u><u>\$ 21,488</u></u>

Note 7 - Investments

At December 31, 2015 investments consist of the following:

<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	2.50 - 2.80%	<u>\$ 214,595</u> <u>\$ 214,595</u>

Note 8 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	<u>\$ 15,937</u>
-------------------	------------------

Note 9 - Capital Assets

Balance as of December 31, 2015	\$ 2,142,382
Balance as of December 31, 2014	<u>2,286,076</u>
Net Increase (Decrease)	<u>\$ -143,694</u>

Reconciliation

Betterments and additions	\$ 10,878
Replacement of nonexpendable equipment	6,293
Current year depreciation expense	<u>-160,865</u> *
Net Increase (Decrease)	<u><u>\$ -143,694</u></u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 9 - Capital Assets (Continued)

<u>Analysis</u>	<u>01/01/2015 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2015 Balance</u>
Land	\$ 99,607	\$ 0	\$ 0	\$ 99,607
Buildings	7,040,083	10,878	0	7,050,961
Equipment and furniture	277,267	6,293	0	283,560
Construction in progress	<u>1,398</u>	<u>0</u>	<u>0</u>	<u>1,398</u>
Total	\$ 7,418,355	\$ 17,171	\$ 0	\$ 7,435,526
Accumulated depreciation	<u>-5,132,279</u>	<u>0</u>	<u>160,865</u>	<u>* -5,293,144</u>
Net Position	<u>\$ 2,286,076</u>	<u>\$ 17,171</u>	<u>\$ 160,865</u>	<u>\$ 2,142,382</u>

*Current year depreciation expense recognized.

Note 10 - Deferred Outflows of Resources

PERF pension contributions \$ 83,538

Note 11 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 653
Tenants security deposits	<u>23,011</u>
Subtotal	\$ 23,664
Interfund	<u>18,306</u>
Total	<u>\$ 41,970</u>

Note 12 - Other Liabilities

Other liabilities consists of the following:

Current Portion:

Wages/payroll taxes payable	\$ 12,600
Payment in lieu of taxes	29,237
Utilities payable	<u>9,834</u>
Total	<u>\$ 51,671</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 13 - Unearned Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ <u>10,317</u>
----------------------	------------------

Note 14 - Summary of Long Term Liabilities

A summary of long term liabilities as of December 31, 2015:

	01/01/2015 <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	12/31/2015 <u>Balance</u>
Accrued pension	\$ <u>171,650</u>	\$ <u>51,545</u>	\$ <u>0</u>	\$ <u>223,195</u>

Note 15 - Deferred Inflows of Resources

PERF pension contributions	\$ <u>34,577</u>
----------------------------	------------------

Note 16 - 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 17 - Contracts/Commitments

As of December 31, 2015, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-12	\$ 191,066	\$ 162,232
CFP 501-13	198,336	51,488
CFP 501-14	197,843	82,843
CFP 501-15	<u>200,125</u>	<u>119,125</u>
Total	<u>\$ 787,370</u>	<u>\$ 415,688</u>

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 18 - 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.

Settled claims have not exceeded insurance coverage or the risk pool coverage in the current or past three years and there has been no significant reduction in insurance coverage in the fiscal year.

Note 19 - Economic Dependency

The Housing Authority received a large percentage of its revenue (46%) 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, 2015**

<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	14.850	C-590	FYE 12/31/15	\$ <u>386,133</u>	\$ <u>386,133</u>	\$ <u>386,133</u>
Public Housing Capital Fund	14.872	C-590	FYE 12/31/15	\$ <u>787,370</u>	\$ <u>176,025</u>	\$ <u>176,025</u>
Total Housing Assistance				\$ <u>1,173,503</u>	\$ <u>562,158</u>	\$ <u>562,158</u>

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED DECEMBER 31, 2015**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Washington Housing Authority (Authority) and is presented on the accrual basis of accounting.

The schedule summarizes the federal funds expended by the Authority under the programs of the federal government during the year ended December 31, 2015. The schedule of expenditures of federal awards displays the Authority's expenditures charged to federal programs for the year ended December 31, 2015, and should be read in conjunction with the Authority's consolidated financial statements.

Note 2 – Sources of Funding

The schedule includes all grants and contracts entered into directly between the Authority and agencies and departments of the federal government, as well as federal funds passed-through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

The Authority did not receive any non-cash assistance from federal funds, had no federal insurance, nor have any loan or loan guarantees outstanding as of December 31, 2015.

**WASHINGTON HOUSING AUTHORITY
WASHINGTON, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P030501-11**

1. The Actual Modernization Costs of Phase IN36P030501-11 are as follows:

Funds approved	\$ 213,782
Funds expended	<u>213,782</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 213,782
Funds expended	<u>213,782</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 31, 2015, 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.



**Independent Auditor's 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 in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Washington Housing Authority, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon dated May 24, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Washington Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing 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. Accordingly, I do not express an opinion on the effectiveness of the Washington Housing Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Washington Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Washington Housing Authority's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Washington Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Washington Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountant

Decatur, Illinois
May 24, 2016

Washington Housing Authority (IN030)
WASHINGTON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14,228 Community Development Block Grants/State's	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$296,336	\$41,818	\$2,687	\$340,841		\$340,841
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted						
114 Cash - Tenant Security Deposits	\$20,311	\$2,700		\$23,011		\$23,011
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$316,647	\$44,518	\$2,687	\$363,852	\$0	\$363,852
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous						
126 Accounts Receivable - Tenants	\$5,271			\$5,271		\$5,271
126.1 Allowance for Doubtful Accounts - Tenants	-\$2,089			-\$2,089		-\$2,089
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	\$1,728	\$24		\$1,752		\$1,752
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,910	\$24	\$0	\$4,934	\$0	\$4,934
131 Investments - Unrestricted	\$214,595			\$214,595		\$214,595
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$15,333	\$604		\$15,937		\$15,937
143 Inventories	\$1,268			\$1,268		\$1,268
143.1 Allowance for Obsolete Inventories	-\$127			-\$127		-\$127
144 Inter Program Due From	\$18,306			\$18,306	-\$18,306	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$570,932	\$45,146	\$2,687	\$618,765	-\$18,306	\$600,459
161 Land	\$97,107	\$2,500		\$99,607		\$99,607
162 Buildings	\$6,233,461	\$817,500		\$7,050,961		\$7,050,961
163 Furniture, Equipment & Machinery - Dwellings						
164 Furniture, Equipment & Machinery - Administration	\$280,060	\$3,500		\$283,560		\$283,560
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$5,235,599	-\$57,545		-\$5,293,144		-\$5,293,144
167 Construction in Progress	\$1,398			\$1,398		\$1,398
168 Infrastructure						
180 Total Capital Assets, Net of Accumulated Depreciation	\$1,376,427	\$765,955	\$0	\$2,142,382	\$0	\$2,142,382
171 Notes, Loans and Mortgages Receivable - Non-Current						
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets						
176 Investments in Joint Ventures						
180 Total Non-Current Assets	\$1,376,427	\$765,955	\$0	\$2,142,382	\$0	\$2,142,382
200 Deferred Outflow of Resources	\$78,855	\$6,683		\$83,538		\$83,538
290 Total Assets and Deferred Outflow of Resources	\$2,024,214	\$817,784	\$2,687	\$2,844,685	-\$18,306	\$2,826,379

Washington Housing Authority (IN030)
WASHINGTON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14,228 Community Development Block Grants/State's	1 Business Activities	Subtotal	ELIM	Total
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$531	\$22	\$100	\$653		\$653
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$12,090	\$293	\$217	\$12,600		\$12,600
322 Accrued Compensated Absences - Current Portion						
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$22,938	\$6,299		\$29,237		\$29,237
341 Tenant Security Deposits	\$20,311	\$2,700		\$23,011		\$23,011
342 Unearned Revenue	\$9,862	\$455		\$10,317		\$10,317
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other	\$9,834			\$9,834		\$9,834
347 Inter Program - Due To		\$16,974	\$1,332	\$18,306	-\$18,306	\$0
348 Loan Liability - Current						
310 Total Current Liabilities	\$75,566	\$26,743	\$1,649	\$103,958	-\$18,306	\$85,652
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						
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						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities	\$205,340	\$17,855		\$223,195		\$223,195
350 Total Non-Current Liabilities	\$205,340	\$17,855	\$0	\$223,195	\$0	\$223,195
300 Total Liabilities	\$280,906	\$44,598	\$1,649	\$327,153	-\$18,306	\$308,847
400 Deferred Inflow of Resources	\$31,811	\$2,766		\$34,577		\$34,577
508.4 Net Investment in Capital Assets	\$1,376,427	\$765,955		\$2,142,382		\$2,142,382
511.4 Restricted Net Position	\$0			\$0		\$0
512.4 Unrestricted Net Position	\$335,070	\$4,465	\$1,038	\$340,573		\$340,573
513 Total Equity - Net Assets / Position	\$1,711,497	\$770,420	\$1,038	\$2,482,955	\$0	\$2,482,955
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,024,214	\$817,784	\$2,687	\$2,844,685	-\$18,306	\$2,826,379

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14,228 Community Development Block Grants/State's	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$545,245	\$36,305		\$581,550		\$581,550
70400 Tenant Revenue - Other	\$51,830	\$475		\$52,305		\$52,305
70500 Total Tenant Revenue	\$597,075	\$36,780	\$0	\$633,855	\$0	\$633,855
70600 HUD PHA Operating Grants	\$544,987			\$544,987		\$544,987
70610 Capital Grants	\$17,171			\$17,171		\$17,171
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	\$5,648			\$5,648		\$5,648
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	\$16,755	\$16	\$2,687	\$19,458		\$19,458
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted						
70000 Total Revenue	\$1,181,636	\$36,796	\$2,687	\$1,221,119	\$0	\$1,221,119
91100 Administrative Salaries	\$163,253	\$6,967	\$1,044	\$171,264		\$171,264
91200 Auditing Fees	\$5,128	\$2		\$5,130		\$5,130
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing	\$62	\$3		\$65		\$65
91500 Employee Benefit contributions - Administrative	\$93,607	\$3,782	\$98	\$97,487		\$97,487
91600 Office Expenses	\$19,642	\$699		\$20,341		\$20,341
91700 Legal Expense	\$175			\$175		\$175
91800 Travel	\$599	\$25	\$53	\$677		\$677
91810 Allocated Overhead						
91900 Other	\$20,101	\$1,558	\$200	\$21,859		\$21,859
91000 Total Operating - Administrative	\$302,567	\$13,036	\$1,395	\$316,998	\$0	\$316,998
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$19,584			\$19,584		\$19,584
92500 Total Tenant Services	\$19,584	\$0	\$0	\$19,584	\$0	\$19,584

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14.228 Community Development Block Grants/State's	1 Business Activities	Subtotal	ELIM	Total
93100 Water	\$46,178			\$46,178		\$46,178
93200 Electricity	\$147,135	\$229		\$147,364		\$147,364
93300 Gas	\$47,475	\$336		\$47,811		\$47,811
93400 Fuel						
93500 Labor						
93600 Sewer	\$75,077	\$30		\$75,107		\$75,107
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$315,865	\$595	\$0	\$316,460	\$0	\$316,460
94100 Ordinary Maintenance and Operations - Labor	\$120,618	\$9,711		\$130,329		\$130,329
94200 Ordinary Maintenance and Operations - Materials and Other	\$49,500	\$327	\$1	\$49,828		\$49,828
94300 Ordinary Maintenance and Operations Contracts	\$96,355	\$789	\$253	\$97,397		\$97,397
94500 Employee Benefit Contributions - Ordinary Maintenance	\$39,597	\$4,491		\$44,088		\$44,088
94000 Total Maintenance	\$306,070	\$15,318	\$254	\$321,642	\$0	\$321,642
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs	\$170			\$170		\$170
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$170	\$0	\$0	\$170	\$0	\$170
96110 Property Insurance	\$20,087	\$1,126		\$21,213		\$21,213
96120 Liability Insurance	\$15,804	\$451		\$16,255		\$16,255
96130 Workmen's Compensation	\$8,046	\$335		\$8,381		\$8,381
96140 All Other Insurance	\$8,830			\$8,830		\$8,830
96100 Total Insurance Premiums	\$52,767	\$1,912	\$0	\$54,679	\$0	\$54,679
96200 Other General Expenses	\$98			\$98		\$98
96210 Compensated Absences	\$5,819	\$548		\$6,367		\$6,367
96300 Payments in Lieu of Taxes	\$22,938	\$3,571		\$26,509		\$26,509
96400 Bad debt - Tenant Rents	\$11,035	\$1,728		\$12,763		\$12,763
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$39,890	\$5,847	\$0	\$45,737	\$0	\$45,737
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	\$0
96900 Total Operating Expenses	\$1,036,913	\$36,708	\$1,649	\$1,075,270	\$0	\$1,075,270
97000 Excess of Operating Revenue over Operating Expenses	\$144,723	\$88	\$1,038	\$145,849	\$0	\$145,849

Washington Housing Authority (IN030)
WASHINGTON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14.228 Community Development Block Grants/State's	1 Business Activities	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$8,746			\$8,746		\$8,746
97200 Casualty Losses - Non-capitalized	\$4,687			\$4,687		\$4,687
97300 Housing Assistance Payments						
97350 HAP Portability-In						
97400 Depreciation Expense	\$139,727	\$21,138		\$160,865		\$160,865
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$1,190,073	\$57,846	\$1,649	\$1,249,568	\$0	\$1,249,568
10010 Operating Transfer In	\$144,501			\$144,501	-\$144,501	\$0
10020 Operating transfer Out	-\$144,501			-\$144,501	\$144,501	\$0
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						
10080 Special Items (Net Gain/Loss)						
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	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$8,437	-\$21,050	\$1,038	-\$28,449	\$0	-\$28,449
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,877,852	\$805,202	\$0	\$2,683,054		\$2,683,054
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$157,918	-\$13,732		-\$171,650		-\$171,650
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	84		2364		2364
11210 Number of Unit Months Leased	2268	81		2349		2349
11270 Excess Cash	\$393,679			\$393,679		\$393,679
11610 Land Purchases	\$0			\$0		\$0
11620 Building Purchases	\$10,877			\$10,877		\$10,877
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$6,294			\$6,294		\$6,294
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