



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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July 9, 2024

Board of Directors
Housing Authority of the City of Washington
Daviss County, Indiana

We have reviewed the audit report of Housing Authority of the City of Washington, which was opined upon by Audit Solutions, LLC, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Housing Authority of the City of Washington as of December 31, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on pages 44 and 45. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan is included at the end of the report.

In our opinion, Audit Solutions, LLC prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

**HOUSING AUTHORITY OF THE CITY OF WASHINGTON
WASHINGTON, INDIANA**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2023

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

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Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Washington
Washington, Indiana

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Washington (Authority), Indiana, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-v, the schedule of proportionate share of net pension liability (asset) and related ratios on page 24 and the schedule of pension plan contributions on page 25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedule and the PHA's Statement of Certification of Actual Modernization Cost are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is also presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The 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 accompanying Financial Data Schedule, PHA's Statement of Certification of Actual Modernization Cost and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 27, 2024, on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri

June 27, 2024

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2023

As management of the Housing Authority of the City of Washington (the Authority), we offer readers of the Authority's basic financial statements, this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the Authority's basic financial statements elsewhere in this report.

Financial Highlights

1. The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$4,288,142 (Net Position) as opposed to \$3,992,093 as reported in the prior fiscal year.
2. The Authority's unrestricted cash and investments at December 31, 2023 was \$1,194,438, representing a decrease of \$135,049 from the prior fiscal year.
3. The Authority had total revenues of \$1,946,727 and total expenses of \$1,656,219 for the year ended December 31, 2023.
4. The Authority's expenditures of Federal Awards amounted to \$1,157,152 for the fiscal year.

Using the Annual Report

1. Management's Discussion and Analysis - The "Management's Discussion and Analysis" is intended to serve as an introduction to the Basic Financial Statements. The Basic Financial Statements and Notes to Basic Financial Statements included in this Audit Report were prepared in accordance with GAAP, applicable to governmental entities in the United States of America for Proprietary Fund types and in compliance with regulation set forth in GASB 34.
2. Basic Financial Statements - The Basic Financial Statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to private-sector business. They consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.
 - a. The Statement of Net Position presents information on all of the Authority's Assets and Liabilities, with the difference between the two reported as Net Position. Increases and decreases in Net Position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
 - b. The Statement of Revenues, Expenses and Change in Net Position presents information showing how the Authority's Net Position changes during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).
 - c. The Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities: non-capital financing activities: from capital and related financing activities; and from investing activities.
3. Notes to Basic Financial Statements - The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Basic Financial Statements. The Notes to Basic Financial Statements can be found in the audit report.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2023

Using the Annual Report - (Continued)

4. Supplemental Information - The supplemental schedules, including the Financial Data Schedule (FDS), are presented for purposes of additional analysis and are not a requirement of the Basic Financial Statements. HUD has established Uniform Financial Reporting Standards that require the Authority to submit financial information electronically to HUD, using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2023.

The Authority as a Whole

The largest portion of the Authority's Net Position reflects its investment in capital assets (e.g., land, buildings, equipment, and construction in progress). The Authority uses these capital assets to provide housing services to its tenants; consequently, these assets are not available for future spending. The Unrestricted Net Position of the Authority is available for future use to provide program services.

Comparative Statement of Net Position as follows:

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>%-Change</u>
Current Assets	\$1,406,526	\$1,438,320	(\$31,794)	-2%
Capital Assets, Net	\$3,041,790	\$2,749,081	\$292,709	11%
Other Assets	65,579	\$28,862	\$36,717	127%
Total Assets	<u>\$4,513,895</u>	<u>\$4,216,263</u>	<u>\$297,632</u>	<u>7%</u>
Deferred Outflow of Resources	<u>65,378</u>	<u>65,263</u>	<u>\$115</u>	<u>0%</u>
Current Liabilities	\$130,771	120,335	\$10,436	9%
Non-Current Liabilities	\$143,706	\$134,691	\$9,015	7%
Total Liabilities	<u>\$274,477</u>	<u>\$255,026</u>	<u>\$19,451</u>	<u>8%</u>
Deferred Inflow of Resources	<u>16,654</u>	<u>34,407</u>	<u>(\$17,753)</u>	<u>-52%</u>
Net Position:				
Net Investment in Capital Assets	\$3,041,790	\$ 2,749,081	\$292,709	11%
Unrestricted Net Position	\$1,246,352	1,243,012	\$3,340	0%
Total Net Position	<u>\$4,288,142</u>	<u>\$3,992,093</u>	<u>\$296,049</u>	<u>7%</u>

Major Factors Affecting the Statement of Net Position:

The Authority's Net Position increased by \$296,049 from last year, as detailed in the Comparative Statement of Net Position. Current assets decreased by \$31,794. Total assets increased by \$297,632 and total liabilities increased by \$19,451 from FYE 2022.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2023

The Authority as a Whole – (Continued)

Comparative Statement of Revenues, Expenses, and Changes in Net Position is as follows:

<u>Category</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>%-Change</u>
Tenant Revenue	\$734,319	\$671,363	\$62,956	9%
HUD Operating Grants	\$727,771	\$1,438,048	(\$710,277)	-49%
Capital Grants	\$429,381	\$256,046	\$173,335	68%
Interest Income	\$3,539	\$1,160	\$2,379	205%
Other Revenue	\$51,717	\$302,136	(\$250,419)	-83%
Total Revenue	<u>\$1,946,727</u>	<u>\$2,668,753</u>	<u>(\$722,026)</u>	<u>-27%</u>
Administration	\$314,365	\$256,004	\$58,361	23%
Tenant Services	\$95,235	\$54,721	\$40,514	74%
Utilities	\$376,838	\$375,888	\$950	0%
Ordinary Maintenance	\$546,595	\$481,507	\$65,088	14%
General Expense	\$123,385	\$91,328	\$32,057	35%
Interest Expense	\$2,808	\$1,243	\$1,565	126%
Depreciation	\$196,993	\$183,036	\$13,957	8%
Total Expenses	<u>\$1,656,219</u>	<u>\$1,443,727</u>	<u>\$212,492</u>	<u>15%</u>
Excess of Revenue over Expenses	<u>\$290,508</u>	<u>\$1,225,026</u>	<u>(\$934,518)</u>	<u>-76%</u>
Prior Period Adjustment	\$5,541	-	\$5,541	100%
Net Position, Beginning of Year	\$3,992,093	\$2,767,067	\$1,225,026	44%
Net Position, End of Year	<u>\$4,288,142</u>	<u>\$3,992,093</u>	<u>\$296,049</u>	<u>7%</u>

Major Factors Affecting the Statement of Revenue, Expenses and Change in Net Position:

The Authority's Net Position increased by \$296,049 during the fiscal year as detailed in the Comparative Statement of Revenues, Expenses and Change in Net Position. The Authority's operating subsidies from HUD decreased by \$710,277 as compared to FY 2022.

Operating expenses increased by 15% from the prior year. The Authority's revenues were sufficient to cover all expenses during the fiscal year, excluding depreciation.

Budgetary Highlights

For the year ended December 31, 2023, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal statute. Also, the Authority adopted a comprehensive budget for the proprietary fund. The budgets were prepared with the accounting procedures prescribed by the applicable funding agency.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2023

Capital Assets and Debt Administration

1. Capital Assets - As of December 31, 2023, the Authority's investment in capital assets for its proprietary fund was \$3,041,790 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

The following summarizes the change in capital assets between fiscal year ended December 31, 2022, and December 31, 2023:

Capital Assets at Year End				
(Net of Accumulated Depreciation)				
December 31,				
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>%-Change</u>
Land	\$99,607	\$99,607	\$0	0%
Buildings	\$8,207,469	\$7,903,207	\$304,262	4%
Equipment - administration	\$228,323	\$228,323	\$0	0%
Construction in progress	\$1,027,670	\$842,230	\$185,440	22%
Subtotal	\$9,563,069	\$9,073,367	\$489,702	5%
Accumulated depreciation	(\$6,521,279)	(6,324,286)	(\$196,993)	3%
Net Capital Assets	<u>\$3,041,790</u>	<u>\$2,749,081</u>	<u>\$292,709</u>	<u>11%</u>

Net Capital Assets increased by \$292,709 which represents the net of depreciation expense and CFP capital grants. Construction in progress for the fiscal year pertaining to the Authority's capital fund program totaled \$1,027,670. The depreciation expense of \$196,993 represents expiration of capitalized assets over their useful life.

Additional information on the Authority's Capital Assets can be found in the Notes to Basic Financial Statements, which is included in this report.

2. Long-term Debt - The Authority does not have any long-term debt at this time.

Economic Factors

Significant economic factors affecting the Authority are as follows:

1. Federal funding by the Department of Housing and Urban Development.
2. Local inflationary, reversionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
3. The Authority has an unrestricted Net Position of \$1,246,352 to fund any shortfalls arising from a possible economic downturn and reduced subsidies and grants. The Authority's unrestricted Net Position appears sufficient to cover any short-term shortfall.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2023

Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Maria Sergesketter, Executive Director
Housing Authority of the City of Washington
520 SE 2nd Street
Washington, IN 47501
(812) 254-1596

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

STATEMENT OF NET POSITION
December 31, 2023

ASSETS

Current Assets:

Cash and cash equivalents	\$	1,194,438
Cash - restricted		26,867
Receivables - net of allowances		154,052
Inventory - net of allowances		11,557
Prepaid expenses		<u>19,612</u>

Total Current Assets 1,406,526

Non-current Assets:

Other assets		65,579
Capital assets:		
Land and construction in progress		1,127,277
Other capital assets, net of depreciation		<u>1,914,513</u>

Total capital assets - net 3,041,790

Total Non-current Assets 3,107,369

DEFERRED OUTFLOWS OF RESOURCES

Accrued pension		<u>65,378</u>
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Total Deferred Outflow of Resources 65,378

Total Assets and Deferred Outflow of Resources \$ 4,579,273

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

STATEMENT OF NET POSITION - (Continued)
December 31, 2023

LIABILITIES

Current Liabilities:

Accounts payable	\$	83,563
Accrued salaries and benefits		12,528
Tenant security deposit liability		26,867
Unearned revenues		<u>7,813</u>

Total Current Liabilities 130,771

Non-current Liabilities:

Non-current liabilities - Other		<u>143,706</u>
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Total Non-current Liabilities 143,706

Total Liabilities 274,477

DEFERRED INFLOWS OF RESOURCES

Accrued pension		<u>16,654</u>
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Total Deferred Inflow of Resources 16,654

NET POSITION

Net investment in capital assets		3,041,790
Unrestricted		<u>1,246,352</u>

Total Net Position 4,288,142

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 4,579,273

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023

OPERATING REVENUES	
Tenant revenue	\$ 734,319
Governmental grants and subsidy	727,771
Miscellaneous	<u>51,717</u>
Total operating revenue	<u>1,513,807</u>
OPERATING EXPENSES	
Administrative	314,365
Tenant services	95,235
Utilities	376,838
Ordinary maintenance and operations	546,595
Insurance	59,300
General	64,085
Depreciation expense	<u>196,993</u>
Total operating expenses	<u>1,653,411</u>
Operating income (loss)	<u>(139,604)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	3,539
Interest expense	<u>(2,808)</u>
Net non-operating revenues (expenses)	<u>731</u>
Income (loss) before contributions and transfers	<u>(138,873)</u>
Capital contributions	<u>429,381</u>
Change in net position	290,508
Total net position - beginning of year	3,992,093
Prior period adjustments	<u>5,541</u>
Total net position - end of year	<u>\$ 4,288,142</u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$ 705,899
Received from governmental grants and subsidy	637,715
Received from other operating activities	48,198
Payments for goods and services	(922,552)
Payments to employees	(494,419)
Payment in lieu of taxes	<u>(25,287)</u>

Net cash provided by (used in) operating activities (50,446)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions	429,381
Purchases of capital assets	(498,260)
Principal repayments on lease/subscription obligations	(17,117)
Interest paid on capital debt	<u>(2,808)</u>

Net cash provided by (used in) capital and related financing activities (88,804)

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts of interest and dividends	<u>3,539</u>
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Net cash provided by (used in) investing activities 3,539

Net increase (decrease) in cash and cash equivalents	(135,711)
Cash and cash equivalents at beginning of year	<u>1,357,016</u>

Cash and cash equivalents at end of year \$ 1,221,305

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended December 31, 2023

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$	(139,604)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		196,993
Change in assets and liabilities:		
Receivables, net		(91,499)
Inventories, net		(4,321)
Prepaid expenses		(1,037)
Accounts and other payables		(19,499)
Tenant security deposit		(662)
Unearned revenues		(23,968)
Accrued expenses		<u>33,151</u>
Net cash provided by (used) by operating activities	\$	<u><u>(50,446)</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the City of Washington (Authority) is a public body and a body corporate and politic organized under the laws of the State of Indiana that is legally separate, fiscally independent and governed by a Board of Commissioners. The 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 (HUD) and other applicable federal agencies. Additionally, HUD has entered into Annual Contributions Contract with the Authority for the purpose of administering housing and housing relating programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

The financial statements of the Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1A. Financial Reporting Entity

The Authority's financial reporting entity comprises the following:

Primary Government: Housing Authority

In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and No. 61, "The Financial Reporting Entity," and includes all component units of which the Authority appointed a voting majority of the units' board; the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. On the basis of the application of these criteria, there are no component units which are required to be included in the Authority's financial statements.

1B. Basis of Presentation

The accounts of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. The operations of each fund are reported as a separate set of self-balancing accounts that are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds consist of three major categories: governmental, proprietary and fiduciary. Funds within each major category are grouped by fund type in the combined financial statements. The Authority uses the following fund:

Proprietary Fund Types - This fund is used to account for the Authority's ongoing activities that are similar to those often found in the private sector. The accounting objectives are the determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position. Proprietary fund equity is segregated into net investment in capital assets and restricted and unrestricted net position. The following are the Authority's proprietary fund types:

Enterprise Fund - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Authority's programs as an enterprise fund.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1B. Basis of Presentation – (Continued)

The Authority operates the following programs in the enterprise fund:

Public and Indian Housing - The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

Public Housing Capital Fund - The purpose of this program is to provide funds annually to housing authorities for the modernization of the housing development and for management improvements.

Community Development Block Grants/State's Program – The program was established to revitalize and rebuild local neighborhoods. Funding is provided based on dwelling rents paid by tenants. The program consists of 7 dwelling units.

Business Activities – The program manages a privately-owned Rural Rental Assistance Project.

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

1E. Estimates and assumptions

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

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1F. Assets, Deferred Outflow, Liabilities, Deferred Inflow and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of HUD, miscellaneous and tenant accounts receivable.

Inventories

Inventories are valued at lower of cost or market on an average cost basis. Inventories consist primarily of maintenance materials and supplies held for consumption. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as assets when purchased and expenses when used.

Prepaid Expenses

Prepaid expenditures, such as insurance premiums and deferred costs, which are expected to be written off within the next fiscal year, are included in net current assets.

Capital Assets

Capital assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$1,500 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	15-40 years
Furniture, equipment and machinery - administrative	3-5 years

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted asset is related to the security deposit fund under the Public and Indian Housing and CDBG program.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1F. Assets, Deferred Outflow, Liabilities, Deferred Inflow and Equity - (Continued)

Compensated Absences

The Authority's policies regarding vacation time do not permit employees to carry forward unused vacation leave. As such, no liability is recorded at year end.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority reports deferred outflows of resources for pension contributions made after the actuarial measurement date and for actuarial adjustments due to the proportionate share of the contributions made to the pension liability which will be amortized over the expected average remaining service lifetime.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The Authority has deferred inflows of resources relating to the net pension obligation reported in the Statement of Net Position. These deferred inflows of resources are the result of the net difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized over a five-year period on a straight-line basis.

Equity Classifications

Equity is classified as net position and displayed in two components:

- 1) Net investment in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Unrestricted net position—All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Changes in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority’s compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

2A. Program Accounting Requirements

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

<u>Program</u>	<u>Required By</u>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Public Housing Capital Fund	U.S. Department of Housing and Urban Development
Community Development Block Grants	U.S. Department of Housing and Urban Development
Business Activities	Housing Authority

2B. Deposits and Investments Laws and Regulations

It is the Authority’s policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. As reflected in Note 3A, all deposits were fully insured or collateralized.

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

2C. Revenue Restrictions

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Public Housing Capital Fund	Modernization

For the year ended December 31, 2023, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 3 – DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detailed information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash Deposits

As of December 31, 2023, the Authority had the following cash deposits and investments:

Cash deposits	\$ 1,220,905
Petty cash / change fund	<u>400</u>
Total	<u>\$ 1,221,305</u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2023:

Cash and cash equivalents	\$ 1,194,438
Restricted assets	<u>26,867</u>
Total	<u>\$ 1,221,305</u>

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At December 31, 2023, the Authority's bank balances of \$1,489,677 were entirely covered by FDIC insurance or by the Public Deposit Insurance Fund (PDIF) which was created in 1937 to protect the public funds of the state and its political subdivisions deposited in approved financial institutions in the state of Indiana. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by federal deposit insurance. The fund is administered by the Indiana Board for Depositories.

3B. Restricted Assets

Restricted assets at December 31, 2023 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Security deposit	\$ <u>26,867</u>	<u>----</u>	\$ <u>----</u>	\$ <u>26,867</u>

3C. Accounts Receivable

Receivables at December 31, 2023 consist of the following:

Tenant account receivable	\$ 7,212
Allowance for doubtful account	<u>(1,443)</u>
Tenants - net of allowance	5,769
HUD	144,727
Miscellaneous	3,519
Other government	<u>37</u>
Total Accounts Receivable	<u>\$ 154,052</u>

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 3 – DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS – (Continued)

3D. Inventory

Inventory at December 31, 2023 comprised of the following:

Inventory	\$	12,841
Less: Allowance for obsolete inventory		<u>(1,284)</u>
Inventory - net of allowance	\$	<u>11,557</u>

3E. Prepaid Expenses

Prepaid expenses totaled \$19,612 at December 31, 2023, and consisted of primarily prepaid insurances and deferred cost.

3F. Capital Assets

A summary of capital asset activity for the year ended December 31, 2023, is as follows:

	Balance January 1, 2023	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance December 31, 2023
Non-depreciable assets:					
Land	\$ 99,607	\$ -	\$ -	\$ -	\$ 99,607
Construction in progress	842,230	429,381	-	(243,941)	1,027,670
Total non-depreciable assets	<u>941,837</u>	<u>429,381</u>	<u>-</u>	<u>(243,941)</u>	<u>1,127,277</u>
Depreciable assets:					
Building	7,903,207	68,879	(8,558)	243,941	8,207,469
Equipment - administration	228,323	-	-	-	228,323
Total depreciable assets	<u>8,131,530</u>	<u>68,879</u>	<u>(8,558)</u>	<u>243,941</u>	<u>8,435,792</u>
Accumulated depreciation	<u>(6,324,286)</u>	<u>(196,993)</u>	<u>-</u>	<u>-</u>	<u>(6,521,279)</u>
Total depreciable assets, net	<u>1,807,244</u>	<u>(128,114)</u>	<u>(8,558)</u>	<u>243,941</u>	<u>1,914,513</u>
Capital assets, net	<u>\$ 2,749,081</u>	<u>\$ 301,267</u>	<u>\$ (8,558)</u>	<u>\$ -</u>	<u>\$ 3,041,790</u>

Depreciation expense is charged to programs as follows:

<u>Business-type Activities</u>	
Public and Indian Housing	\$ 176,329
CDBG	<u>20,664</u>
Total depreciation expense	<u>\$ 196,993</u>

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 3 – DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3G. Right to Use Asset

The Authority has recorded the right to use assets. The assets are right to use assets for leased vehicles and software subscription. The related lease/subscription is discussed further in Notes 3G. The right to use lease assets are amortized on a straight-line basis over the terms of the related lease.

	Balance Jan 1, 2023	Additions	(Retirement)	Balance Dec 31, 2023
Right to Use Asset:				
Leased vehicles	\$ 33,956	\$ 36,286	\$ -	\$ 70,242
Software subscription	-	10,846	-	10,846
Less: accumulated amortization	(5,094)	(10,415)	-	(15,509)
Right to Use Asset, net	\$ 28,862	\$ 36,717	\$ -	\$ 65,579

3H. Accounts Payable

Accounts payable at December 31, 2023 consist of the following:

Vendors & contractors	\$ 2,276
Other current liabilities (lease)	23,219
Accrued liabilities	28,017
PILOT	30,051
Total Accounts Payable	\$ 83,563

3I. Non-Current Liabilities

Non-current liabilities at December 31, 2023, consists of the following:

Other non-current liabilities (lease)	\$ 22,298
Net pension liability	121,408
Total Non-Current Liabilities	\$ 143,706

Changes in non-current liabilities

The following is the summary of changes in long-term liabilities:

Description	Balance January 1, 2023	Additions	Deductions	Balance December 31, 2023	Amounts Due within One Year
Lease liability	\$ 14,845	\$ 7,453	\$ ---	\$ 22,298	\$ 23,219
Net Pension Liability	\$ 119,846	\$ 1,562	\$ ---	\$ 121,408	\$ ---
Total	\$ 134,691	\$ 9,015	\$ ---	\$ 143,706	\$ 23,219

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 3 – DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3I. Non-Current Liabilities – (Continued)

Changes in non-current liabilities – (Continued)

The Authority has entered into an agreement to lease two vehicles. The lease qualifies as other than short-term leases under GASB 87 ‘Leases’ and therefore have been recorded at the present value of future minimum lease payments as of the date of their inception.

The agreement for the first vehicle was executed on April 5, 2022, and requires 36 monthly payments of \$1,031.34. The liability for the lease is measured at a discount rate of 6.24%, which is the stated rate in the lease agreement. The agreement for the second vehicle was executed on June 28, 2023, and requires 36 monthly payments of \$1,147.51. The liability for the lease is measured at a discount rate of 9.14%, which is the stated rate in the lease agreement. As a result of the lease, the Authority has recorded a right to use asset with a book value of \$55,937 at December 31, 2023. The right to use asset is discussed in more detail in Note 3F.

The minimum lease obligation and the net present value of these minimum payments as of December 31, 2023, are as follows:

Year Ending December 31,	Principal Payments	Interest Payments	Total
2024	\$ 23,219	\$ 2,928	\$ 26,147
2025	15,592	1,273	16,865
2026	6,706	180	6,886
	\$ 45,517	\$ 4,381	\$ 49,898

3J. Inter-program Transactions and Balances

Transfers are used to move revenues from one program to the other program in accordance with the budgetary authorizations.

Operating Transfers

	Transfers In	Transfers Out
Public and Indian Housing	\$ 113,423	\$ -
Public Housing Capital Fund	-	(113,423)
Total	\$ 113,423	\$ (113,423)

3K. Prior Period Adjustments

Prior period adjustments at December 31, 2023, consists of the following:

CDBG Program:

Prepaid expense – To write off FY 2021 prepaid	\$ (1,383)
PILOT – To write off FY 2020/2021 PILOT not required to pay	6,924
Total	\$ 5,541

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 4 – OTHER NOTES

4A. Pension Plan

Description of Defined Benefit Funds

Public Employees' Defined Benefit Account (PERF DB)

PERF DB is a cost-sharing, multiple-employer DB fund providing retirement, disability and survivor benefits to full-time employees of the State of Indiana not covered by another plan and those political subdivisions (counties, cities, townships and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, 5-10.3, 5-10.5, 35 IAC 1.2 and other Indiana pension law. PERF DB is a component of the Public Employees' Hybrid plan (PERF Hybrid).

PERF Hybrid consists of two components: PERF DB, the monthly employer-funded defined benefit component, along with the Public Employees' Hybrid Members Defined Contribution Account (PERF DC), a member-funded account. First time new employees hired by the State or a participating political subdivision who offers a choice, have a one-time election to join either the PERF Hybrid plan or PERF MC DC. Refer to the Description of Defined Contribution Funds for discussion of both the PERF DC and PERF MC DC plans. A new hire that is an existing member of PERF Hybrid and was not given the option for the PERF MC DC plan is given the option to elect PERF MC DC or remain in PERF Hybrid.

Members who have service in both PERF DB and either TRF Pre-'96 DB or TRF '96 DB, have the option of choosing from which of these funds they would like to retire.

INPRS financial reports are available online at <https://www.in.gov/inprs>.

Eligibility for Pension Benefit Payment

Full Retirement Benefit

- Age 65 with at least 10 years of creditable service (eight years for certain elected officials).
- Age 60 with at least 15 years of creditable service.
- Age 55 if age and creditable service total at least 85 (“Rule of 85”).
- Age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position.
- Age 70 with 20 years of creditable service and still active in the PERF-covered position.

Early Retirement Benefit

Age 50 and minimum of 15 years of creditable service (44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59).

Disability Benefit

An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$180 per month).

Survivor Benefit

If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan - (Continued)

Eligibility for Pension Benefit Payment – (Continued)

Survivor Benefit – (Continued)

If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment:

Five Year Certain & Life, Joint with 100 percent Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits.

Contribution

Contributions are determined by the Board based on an actuarial valuation. Employers contribute 11.2% of covered payroll, with 0.72% from July 2022 to December 2022 and 0.66% from January 2023 to June 2023 funding a supplemental reserve account for postretirement benefit increases. Contributions from employers with PERF MC DC plan members who offered PERF Hybrid prior to July 1, 2016, fund PERF DB's unfunded liability at 7.5% of covered payroll for the State and 7.5% for political subdivisions as of June 30, 2023. No member contributions are required.

Benefit Formula & Postretirement Benefit Adjustment

Lifetime Annual Benefit = Years of Creditable Service x Average Highest Five-Year Annual Salary x 1.1% (minimum of \$180 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than \$2,000 received from the employer in severance.

Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the Board. For the year ended June 30, 2023, postretirement benefits of \$8 million were issued to members as a COLA.

INPRS Basis of Accounting

The financial statement of INPRS has been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations.

Use of Estimates

In preparing the financial statements to conform to generally accepted accounting principles, INPRS makes estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimates and assumptions.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan - (Continued)

Employer Allocations

The allocation percentages for the Housing Authority’s share of the collective pension amounts as of June 30, 2023, and 2022 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, 2023 and 2022, respectively.

At June 30, 2023 (measurement date), the Housing Authority’s proportion was 0.0000344 and related wages were reported as \$215,997.

Net Pension Liability

At December 31, 2023 and 2022 (Authority’s year-end), the Housing Authority reported a liability of \$121,409 and \$119,846 respectively, for its proportionate share of the net pension liability.

Defined Benefit Assets

The following Defined Benefits global asset classes, target allocations and target ranges were approved by the Board based on a formal asset-liability study and shall remain in place until revised by the Board. An asset-liability study is conducted every five years. Further information regarding the Investment Policy Statement can be found in the Investment Section.

To maximize the probability of achieving the target rate of return over a 30-year time horizon, INPRS’s Board of Trustees approved a new asset allocation on May 7, 2021, that included the increased use of leverage. The explicit leverage enables the Plan to obtain additional investment exposure, which results in an asset allocation that exceeds 100 percent of invested assets. Beginning in fiscal year 2022, the plan’s target allocation for total exposure is 115%. Further details of INPRS’s leverage policy are available in the Investment Policy Statement.

Global Asset Classes	Target Allocation	Target Range
Public equity	20.0%	17.0 to 23.0%
Private Markets	15.0	10.0 to 20.0
Fixed Income – Ex Inflation-Linked	20.0	17.0 to 23.0
Fixed Income – Inflation-Linked	15.0	12.0 to 18.0
Commodities	10.0	7.0 to 13.0
Real Estate	10.0	5.0 to 15.0
Absolute Return	5.0	0.0 to 10.0
Risk Parity	20.0	15.0 to 25.0

Discount rate

The discount rate is equal to the expected long-term rate of return on plan investments, net of investment expense and including price inflation. The discount rate used was 6.25% on the measurement date. The INPRS Board of Trustees has established a funding policy of setting the employer contribution rate equal to the greater of 11.2% (the current contribution rate) or a rate equal to the actuarially determined contribution rate, which is based on the assumptions and methods selected by the Board for the annual actuarial valuations and projected covered member payroll.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan - (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate:

1% Decrease (5.25%)	Discount rate (6.25%)	1% Increase (7.25%)
\$197,858	\$121,409	\$57,666

Pension Expense

For the year ended June 30, 2023, the Authority recognized pension expense of \$11,840 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

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$2,484	--
Net difference between projected and actual investment earnings on pension plan investments	27,827	--
Change of assumptions	6,621	---
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,064	16,654
Employer contributions subsequent to June 30, 2023	14,382	--
Total	\$65,378	\$16,654

Amounts reported as deferred outflows/(inflows) of resources related to pension will be recognized in pension expense as follows:

Year ended:	
2024	\$22,523
2025	5,580
2026	16,830
2027	3,791
2028	--
Thereafter	--

The Authority's balance of deferred outflows of resources of \$65,378 will be included as a reduction of the collective net pension liability in future years.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 4 – OTHER NOTES – (Continued)

4B. Commitments - Construction

At December 31, 2023, the Authority had the following pending Capital Fund project in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-22	\$ 487,645	\$ 487,645
CFP 501-23	494,047	123,083
Total	<u>\$ 981,692</u>	<u>\$ 610,728</u>

4C. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee’s health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with US Specialty Insurance Co.
b. Injuries to employees (workers' compensation)	Purchased insurance with Accident Fund Insurance Co. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$1,000 deductibles.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4D. Financial Data Schedule

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation expense and includes investment income and capital contributions in operating activities, which differs from the presentation of basic financial statements.

4E. Contingencies

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2023

NOTE 4 – OTHER NOTES – (Continued)

4F. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through June 27, 2024, and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

4G. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2024 federal budget.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2023

**Schedule of the Pension Plan's Proportionate Share
of the Net Pension Liability (Asset) and Related Ratios ***

Reporting Date for Employer under GASB 68 as of June 30,	Proportion of Net Pension Liability	Proportionate share of Net Pension Liability	Covered Employee Payroll **	Proportionate share of the Net Pension Liability as a percentage of covered employee payroll	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.006070%	\$159,516	\$296,549	53.79%	84.29%
2015	0.005480%	\$223,195	\$262,417	85.05%	77.35%
2016	0.005390%	\$244,622	\$258,159	94.76%	75.35%
2017	0.005330%	\$237,800	\$264,461	89.92%	76.65%
2018	0.005350%	\$181,742	\$273,236	66.51%	78.89%
2019	0.004870%	\$160,957	\$253,541	63.48%	80.06%
2020	0.004150%	\$125,346	\$223,982	55.96%	81.45%
2021	0.002730%	\$35,923	\$150,724	23.83%	92.51%
2022	0.003800%	\$119,846	\$218,502	54.85%	82.48%
2023	.000034%	\$121,409	\$215,997	56.21%	61.83%

* This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future fiscal years until 10 years of information is available.

** Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of the retirement benefits are included.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

REQUIRED SUPPLEMENTARY INFORMATION – (Continued)

December 31, 2023

Schedule of the Pension Plan's Contributions*

Reporting Date for Employer under GASB 68 as of June 30,	Actuarially determined contribution [A]	Contributions in relation to actuarially determined contribution [B]	Contribution deficiency (excess) [C] = [A] - [B]	Covered employee payroll	Contribution as a percentage covered employees payroll
2014	\$3,239	\$3,239	-	\$296,549	1.09%
2015	\$29,391	\$29,391	-	\$262,417	11.20%
2016	\$28,914	\$28,914	-	\$258,159	11.20%
2017	\$29,620	\$29,620	-	\$264,461	11.20%
2018	\$30,602	\$30,602	-	\$273,236	11.20%
2019	\$28,397	\$28,397	-	\$253,541	11.20%
2020	\$25,086	\$25,086	-	\$223,982	11.20%
2021	\$16,881	\$16,881	-	\$150,724	11.20%
2022	\$24,472	\$24,472	-	\$218,502	11.20%
2023	\$24,192	\$24,192	-	\$215,997	11.20%

* This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future fiscal years until 10 years of information is available.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
December 31, 2023

1. Actual Capital Fund Program costs are as follows:

	<u>501-20</u>
Funds approved	\$ 352,136
Funds expended	<u>352,136</u>
Excess of Funds Approved	\$ <u><u>---</u></u>
Funds advanced	\$ 352,136
Funds expended	<u>352,136</u>
Excess (deficiency) of Funds Advanced	\$ <u><u>---</u></u>

2. The costs as shown on the Actual Cost Certificate dated March 13, 2024, submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2023.

3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST – (Continued)
December 31, 2023

1. Actual Capital Fund Program costs are as follows:

	<u>501-21</u>
Funds approved	\$ 397,295
Funds expended	<u>397,295</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 397,295
Funds expended	<u>397,295</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated March 13, 2024, submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2023.

3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2023

<u>Federal Grantor</u>	<u>Assistance Listings Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Public and Indian Housing	14.850	\$ 597,344
Public Housing Capital Fund	14.872	<u>559,808</u>
Total Expenditures of Federal Awards		\$ <u>1,157,152</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Housing Authority of the City of Washington, Indiana (Authority) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – 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.

NOTE 4 – SUB-RECIPIENTS

There were no sub-recipients for the year ended December 31, 2023.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

FINANCIAL DATA SCHEDULE
Year Ended December 31, 2023

	Project Total	1 Business Activities	14.228 Community Development Block Grants/State's Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$834,485	\$287,301	\$72,652	\$1,194,438		\$1,194,438
114 Cash - Tenant Security Deposits	\$23,167		\$3,700	\$26,867		\$26,867
100 Total Cash	\$857,652	\$287,301	\$76,352	\$1,221,305	\$0	\$1,221,305
122 Accounts Receivable - HUD Other Projects	\$144,727			\$144,727		\$144,727
124 Accounts Receivable - Other Government	\$37			\$37		\$37
125 Accounts Receivable - Miscellaneous	\$3,519			\$3,519		\$3,519
126 Accounts Receivable - Tenants	\$6,958		\$254	\$7,212		\$7,212
126.1 Allowance for Doubtful Accounts -Tenants	-\$1,392		-\$51	-\$1,443		-\$1,443
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$153,849	\$0	\$203	\$154,052	\$0	\$154,052
142 Prepaid Expenses and Other Assets	\$19,612			\$19,612		\$19,612
143 Inventories	\$12,841			\$12,841		\$12,841
143.1 Allowance for Obsolete Inventories	-\$1,284			-\$1,284		-\$1,284
150 Total Current Assets	\$1,042,670	\$287,301	\$76,555	\$1,406,526	\$0	\$1,406,526
161 Land	\$97,107		\$2,500	\$99,607		\$99,607
162 Buildings	\$7,386,386		\$821,083	\$8,207,469		\$8,207,469
164 Furniture, Equipment & Machinery - Administration	\$228,323			\$228,323		\$228,323
166 Accumulated Depreciation	-\$6,300,665		-\$220,614	-\$6,521,279		-\$6,521,279
167 Construction in Progress	\$1,027,670			\$1,027,670		\$1,027,670
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,438,821	\$0	\$602,969	\$3,041,790	\$0	\$3,041,790
174 Other Assets	\$65,579			\$65,579		\$65,579
180 Total Non-Current Assets	\$2,504,400	\$0	\$602,969	\$3,107,369	\$0	\$3,107,369
200 Deferred Outflow of Resources	\$62,318	\$2,040	\$1,020	\$65,378		\$65,378
290 Total Assets and Deferred Outflow of Resources	\$3,609,388	\$289,341	\$680,544	\$4,579,273	\$0	\$4,579,273

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2023

	Project Total	1 Business Activities	14.228 Community Development Block Grants/State's Program	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$1,884	\$71	\$321	\$2,276		\$2,276
321 Accrued Wage/Payroll Taxes Payable	\$11,753	\$416	\$359	\$12,528		\$12,528
333 Accounts Payable - Other Government	\$30,051			\$30,051		\$30,051
341 Tenant Security Deposits	\$23,167		\$3,700	\$26,867		\$26,867
342 Unearned Revenue	\$7,668		\$145	\$7,813		\$7,813
345 Other Current Liabilities	\$23,219			\$23,219		\$23,219
346 Accrued Liabilities - Other	\$28,017			\$28,017		\$28,017
310 Total Current Liabilities	\$125,759	\$487	\$4,525	\$130,771	\$0	\$130,771
353 Non-current Liabilities - Other	\$22,298			\$22,298		\$22,298
357 Accrued Pension and OPEB Liabilities	\$114,124	\$4,856	\$2,428	\$121,408		\$121,408
350 Total Non-Current Liabilities	\$136,422	\$4,856	\$2,428	\$143,706	\$0	\$143,706
300 Total Liabilities	\$262,181	\$5,343	\$6,953	\$274,477	\$0	\$274,477
400 Deferred Inflow of Resources	\$15,655	\$666	\$333	\$16,654		\$16,654
508.4 Net Investment in Capital Assets	\$2,438,821		\$602,969	\$3,041,790		\$3,041,790
512.4 Unrestricted Net Position	\$892,731	\$283,332	\$70,289	\$1,246,352		\$1,246,352
513 Total Equity - Net Assets / Position	\$3,331,552	\$283,332	\$673,258	\$4,288,142	\$0	\$4,288,142
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,609,388	\$289,341	\$680,544	\$4,579,273	\$0	\$4,579,273

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2023

	Project Total	1 Business Activities	14.228 Community Development Block Grants/State's Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$608,502		\$36,554	\$645,056		\$645,056
70400 Tenant Revenue - Other	\$89,261		\$2	\$89,263		\$89,263
70500 Total Tenant Revenue	\$697,763	\$0	\$36,556	\$734,319	\$0	\$734,319
70600 HUD PHA Operating Grants	\$727,771			\$727,771		\$727,771
70610 Capital Grants	\$429,381			\$429,381		\$429,381
71100 Investment Income - Unrestricted	\$3,539			\$3,539		\$3,539
71500 Other Revenue	\$38,606	\$13,067	\$44	\$51,717		\$51,717
70000 Total Revenue	\$1,897,060	\$13,067	\$36,600	\$1,946,727	\$0	\$1,946,727
91100 Administrative Salaries	\$154,870	\$10,371	\$5,680	\$170,921		\$170,921
91200 Auditing Fees	\$7,650			\$7,650		\$7,650
91400 Advertising and Marketing	\$680			\$680		\$680
91500 Employee Benefit contributions - Administrative	\$60,968	\$854	\$945	\$62,767		\$62,767
91600 Office Expenses	\$47,984	\$681	\$1,137	\$49,802		\$49,802
91700 Legal Expense	\$880			\$880		\$880
91800 Travel	\$2,877			\$2,877		\$2,877
91900 Other	\$18,788			\$18,788		\$18,788
91000 Total Operating - Administrative	\$294,697	\$11,906	\$7,762	\$314,365	\$0	\$314,365
92400 Tenant Services - Other	\$88,415	\$6,820		\$95,235		\$95,235
92500 Total Tenant Services	\$88,415	\$6,820	\$0	\$95,235	\$0	\$95,235
93100 Water	\$39,280		\$62	\$39,342		\$39,342
93200 Electricity	\$160,503		\$327	\$160,830		\$160,830
93300 Gas	\$93,818		\$820	\$94,638		\$94,638
93600 Sewer	\$81,930			\$81,930		\$81,930
93800 Other Utilities Expense	\$0		\$98	\$98		\$98
93000 Total Utilities	\$375,531	\$0	\$1,307	\$376,838	\$0	\$376,838

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2023

	Project Total	1 Business Activities	14.228 Community Development Block Grants/State's Program	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	\$173,747		\$10,656	\$184,403		\$184,403
94200 Ordinary Maintenance and Operations - Materials and Other	\$85,434	\$179	\$71	\$85,684		\$85,684
94300 Ordinary Maintenance and Operations Contracts	\$189,746	\$21,000	\$606	\$211,352		\$211,352
94500 Employee Benefit Contributions - Ordinary Maintenance	\$64,561		\$595	\$65,156		\$65,156
94000 Total Maintenance	\$513,488	\$21,179	\$11,928	\$546,595	\$0	\$546,595
96110 Property Insurance	\$29,197			\$29,197		\$29,197
96120 Liability Insurance	\$24,620			\$24,620		\$24,620
96130 Workmen's Compensation	\$3,830			\$3,830		\$3,830
96140 All Other Insurance	\$1,653			\$1,653		\$1,653
96100 Total insurance Premiums	\$59,300	\$0	\$0	\$59,300	\$0	\$59,300
96200 Other General Expenses	\$10,415			\$10,415		\$10,415
96300 Payments in Lieu of Taxes	\$30,051			\$30,051		\$30,051
96400 Bad debt - Tenant Rents	\$23,619			\$23,619		\$23,619
96000 Total Other General Expenses	\$64,085	\$0	\$0	\$64,085	\$0	\$64,085
96720 Interest on Notes Payable (Short and Long Term)	\$2,808			\$2,808		\$2,808
96700 Total Interest Expense and Amortization Cost	\$2,808	\$0	\$0	\$2,808	\$0	\$2,808
96900 Total Operating Expenses	\$1,398,324	\$39,905	\$20,997	\$1,459,226	\$0	\$1,459,226
97000 Excess of Operating Revenue over Operating Expenses	\$498,736	-\$26,838	\$15,603	\$487,501	\$0	\$487,501
97400 Depreciation Expense	\$176,329		\$20,664	\$196,993		\$196,993
90000 Total Expenses	\$1,574,653	\$39,905	\$41,661	\$1,656,219	\$0	\$1,656,219
10010 Operating Transfer In	\$113,423			\$113,423	-\$113,423	\$0
10020 Operating transfer Out	-\$113,423			-\$113,423	\$113,423	\$0

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2023

	Project Total	1 Business Activities	14.228 Community Development Block Grants/State's Program	Subtotal	ELIM	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$322,407	-\$26,838	-\$5,061	\$290,508	\$0	\$290,508
11030 Beginning Equity	\$3,009,145	\$310,170	\$672,778	\$3,992,093		\$3,992,093
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0		\$5,541	\$5,541		\$5,541
11190 Unit Months Available	2267		84	2351		2351
11210 Number of Unit Months Leased	2170		81	2251		2251
11270 Excess Cash	\$770,632			\$770,632		\$770,632
11620 Building Purchases	\$498,260			\$498,260		\$498,260



Audit Solutions, LLC.

Certified Public Accountant

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
Housing Authority of the City of Washington
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 business-type activities of Housing Authority of the City of Washington (Authority), Indiana, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated June 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Authority’s internal control over financial reporting 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 Authority’s internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

June 27, 2024



Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Housing Authority of the City of Washington
Washington, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited Housing Authority of the City of Washington (Authority), Indiana's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Authority's major federal programs for the year ended December 31, 2023. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as finding #2023-001. My opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance finding identified in my compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control over Compliance

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I did identify certain deficiencies in internal control over compliance that I consider to be significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding #2023-001 to be a significant deficiency.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in my compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

June 27, 2024



Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITORS REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of Washington
Washington, Indiana

I have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the City of Washington and the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

I compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of my agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the chart below.

I was engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by the Authority as of and for the year ended December 31, 2023, and have issued my report thereon dated June 27, 2024. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, my opinion on the fair presentation of the Financial Data Schedule (FDS) dated June 27, 2024, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the reporting package required by Uniform Guidance, which includes the auditor's reports, is available in its entirety from the Authority. I have not performed any additional procedures since the date of the aforementioned audit reports. Further, I take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of the Authority and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Audit Solutions, LLC

Chesterfield, Missouri
June 27, 2024

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

AGREED UPON PROCEDURES
December 31, 2023

Procedure	UFRS Rule Information	Hard Copy Document(s)	Agrees
1	Balance Sheet and Revenue and Expense (data line items 111 to 1121)	Financial Data Schedule, all CFDA's	√
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	√
3	Type of opinion to FDS (data element G5100-010)	Auditor's supplemental report on FDS	√
4	Audit findings narratives (data element G5200-010)	Schedule of Findings and Questioned costs	√
5	General Information (data element series G2000, G2100, G2200, G2300, G90000, G9100)	OMB Data Collection Form	√
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	√
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	√
8	Type of compliance requirement (G4000-020 & G4000-030)	OMB Data Collection Form	√
9	Basic financial statements and auditors' reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	√

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2023

The prior audit report for the year ended December 31, 2022, contained the following audit finding:

Financial Statement Findings

The prior audit report for the year ended December 31, 2022, disclosed no Financial Statement audit finding.

Federal Award Findings

Finding #2022-001: Contract Administration.
Status: Not implemented (see current federal award finding #2023-001).

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

➤ Material weakness(es) identified? No

➤ Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified? No

➤ Significant deficiency(ies) identified? Yes

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of Major programs:

➤ ALN #14.872 Public Housing Capital Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
December 31, 2023

Section II - Financial Statement Findings

The current audit report for the year ended December 31, 2023, disclosed no Financial Statement audit finding.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
December 31, 2023

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended December 31, 2023, disclosed the following Federal Award audit finding:

2023-001. Contract Administration

Federal Awards:
14.872 – Public Housing Capital Fund

Type:
Significant deficiency

Criteria:

HUD requires that all pertinent bid and contract document forms be maintained when administering a contract per HUD Handbook No. 7460.8 Rev 2 Chapter 11.

Condition:

I noted that the PHA did not maintain the following forms required by HUD for the Talbert's Cleaning Painting & Construction contract:

- Request for proposal or invitation for bid
- Instruction to bidders
- Reports, Certifications, and Other Statements of Bid
- General Conditions
- Construction Progress Schedule
- Schedule of Amounts for Contracts Payments
- Notice to Proceed
- Bid Tabulation Form

Questioned Costs:

None noted.

Effect:

The PHA did not comply with HUD requirements while administering the aforementioned contract.

Cause:

It appears that the former administration did not follow proper procurement procedures.

Recommendation:

I recommend that PHA ensure that all contracts and other required forms are signed and maintained in the contract file and follow proper procurement procedures.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
December 31, 2023

Section III – Federal Award Findings and Questioned Costs – (Continued)

2023-001. Contract Administration – (Continued)

Management's Response:

Issue: Procurement Procedures were not properly followed under Executive Director Michelle Marsh. The procurement is regarding Talbert's Cleaning Painting & Construction. Since last year's audit, per guidance from HUD we finished our project with Talbert's.

Root Cause: I believe the reason arose from lack of training provided to the Washington Housing Board of Commissioners and Washington Housing Authority Staff members. Also, Executive Director Michelle Marsh did not communicate with pertinent staff members regarding details or status of the project. In January 2024, all Board Members and pertinent staff completed procurement training.

Preventative Action: Follow Procurement Policy, communicate, and attend training to keep up to date on pertinent information and HUD policies. Provide procurement training to all new Board members and/or new WHA staff.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

CORRECTIVE ACTION PLAN
December 31, 2023

The following is the corrective action plan for FY 2023 findings:

Financial Statement Finding:

None noted.

Federal Award Finding:

2023-001. Contract Administration

Corrective action planned:

1. The Washington Housing Authority will hire project managers/consultants when a large project is to be completed that would be over the threshold. Anything under the threshold would be completed by obtaining quotes.
2. The current Executive Director & current Deputy Director will attend all WHA Board of Commissioners meetings when their schedule allows so communication will be open and transparent.
3. All WHA Staff members and Board of Commissioners will follow Procurement Policy and have received a copy of the policy.

The Executive Director, Deputy Director, and Washington Housing Authority Board of Commissioners will comply with all corrective action deemed appropriate with Audit Findings.

Contact person: Maria Sergesketter, Executive Director.

Anticipated completion date: We have implemented this since May 1, 2023.