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October 9, 2018

Board of Directors
Washington Housing Authority
520 SE 2nd St
Washington, IN 47501

We have reviewed the audit report opined on by Audit Solutions, LLC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of Washington Housing Authority as of December 31, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Audit Solutions, LLC prepared all required independent auditor's reports in accordance with guidelines established by the State Board of Accounts.

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

Paul D. Joyce
Paul D. Joyce, CPA
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, 2017

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Washington, Indiana, as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-vii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures 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 an opinion on the financial statements that collectively comprise the Housing Authority of the City of Washington's basic financial statements. The accompanying PHA's Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying PHA's Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying PHA's Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, I have also issued my report dated June 18, 2018 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 to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri

June 18, 2018

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2017

Introduction

This Management's Discussion and Analysis (MD&A) of the Washington Housing Authority (Authority) provides an introduction and overview to the financial statements of the Washington Housing Authority for the fiscal year ended December 31, 2017. The Washington Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2017, to assist the reader in focusing on significant financial issues.

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

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

- The Low Rent Program consists of 190 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula.
- The Capital Fund Program (CFP) is also a formula-based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.
- The Neighborhood Stabilization Program (NSP) consists of 6 dwelling units. This program was established to revitalize and rebuild local neighborhoods. Funding is provided based on dwelling rents paid by the tenants.
- The Business Activity manages a privately owned Rural Rental Assistance Project.

Overview of the Financial Statements

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

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

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

- Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets.
- Restricted component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through enabling legislation.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2017

Overview of the Financial Statements – (Continued)

- Unrestricted component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of Net Position is basically the amount of resources available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended December 31, 2017, to determine the net change in net position for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended December 31, 2017.

Financial Highlights

The Washington Housing Authority's net position decreased from \$2,538,877 to \$2,462,468, a decrease of \$76,409 or 3%. Total assets also decreased by \$55,382 or 2%.

Total revenue decreased from \$1,287,431 to \$1,200,469, a decrease of \$86,962 or 7%.

Total expenses increased by \$45,369, from \$1,231,509 to \$1,276,878 for the current year. This represents an increase of 4%.

Housing Authority Activities & Highlights

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the summary of net position for the year ended December 31, 2017, and December 31, 2016.

**Summary Statement of Net Position
As of December 31, 2017 and 2016**

<u>Category</u>	<u>FYE 2017</u>	<u>FYE 2016</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 834,871	\$ 810,342	\$ 24,529	3%
Noncurrent Assets	\$ 1,931,860	\$ 2,011,771	\$ (79,911)	-4%
Total Assets	\$ 2,766,731	\$ 2,822,113	\$ (55,382)	-2%
Deferred Outflow of Resources	\$ 61,677	\$ 86,708	\$ (25,031)	-29%
Current Liabilities	\$ 109,807	\$ 98,611	\$ 11,196	11%
Noncurrent Liabilities	\$ 237,800	\$ 244,622	\$ (6,822)	-3%
Total Liabilities	\$ 347,607	\$ 343,233	\$ 4,374	1%
Deferred Inflow of Resources	\$ 18,333	\$ 26,711	\$ (8,378)	-31%
Unrestricted	\$ 530,608	\$ 527,106	\$ 3,502	1%
Net Investment in Capital Assets	\$ 1,931,860	\$ 2,011,771	\$ (79,911)	-4%
Total Net Position	\$ 2,462,468	\$ 2,538,877	\$ (76,409)	-3%

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2017

Housing Authority Activities & Highlights – (Continued)

Current Assets

The Authority's current asset balances increased by \$24,529. This is primarily due to an increase in A/R-HUD related to the CFP Program in the amount of \$47,997. In contrast, unrestricted cash/investments decreased by \$12,256 and prepaid expenses decreased by \$6,964.

Noncurrent Assets

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

Current Liabilities

Current liabilities increased by \$11,196. This was primarily due to the increase in accruals associated with utilities in the amount of \$14,098 and other accruals in the amount of \$3,433. Reductions include a decrease in PILOT by \$6,660 due to a reduction in dwelling rent charged in the current year.

Noncurrent Liabilities

The Authority's noncurrent liability balance decreased primarily due to the recording of pension plan activity in the Indiana Public Retirement System (INPRS) in which the Authority participates. The balance recorded as pension liability decreased from \$244,622 in the prior year to \$237,800 in the current year.

Net Position

The net position of the Authority decreased by \$76,409 compared to the previous fiscal year.

The Authority's unrestricted component of net position changed from \$527,106 to \$530,608, an increase of \$3,502, or 1% for the current year. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines. Individual program balances that comprise the unrestricted component of net position are as follows:

Low Rent Housing Program	\$ 516,345
NSP Program	(4,325)
Business Activities	<u>18,588</u>
Total Unrestricted Net Assets	\$ <u>530,608</u>

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2017

Housing Authority Activities & Highlights – (Continued)

**Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended December 31, 2017 and 2016**

Category	FYE 2017	FYE 2016	Change \$	Change %
Tenant Revenue	\$ 628,647	\$ 645,625	\$ (16,978)	-3%
HUD Operating Grants	\$ 442,942	\$ 583,832	\$ (140,890)	-24%
Capital Grants	\$ 60,408	\$ 24,956	\$ 35,452	142%
Interest Income	\$ 5,037	\$ 3,794	\$ 1,243	33%
Other Revenue	\$ 63,435	\$ 29,224	\$ 34,211	117%
Total Revenue	\$ 1,200,469	\$ 1,287,431	\$ (86,962)	-7%
Administration	\$ 315,282	\$ 304,060	\$ 11,222	4%
Tenant Service	\$ 28,201	\$ 22,731	\$ 5,470	24%
Utilities	\$ 323,525	\$ 325,799	\$ (2,274)	-1%
Ordinary Maintenance	\$ 330,702	\$ 325,877	\$ 4,825	1%
General Expense	\$ 96,543	\$ 98,295	\$ (1,752)	-2%
Extraordinary Maint/Casualty Losses	\$ 17,534	\$ -	\$ 17,534	NA
Depreciation	\$ 165,091	\$ 154,747	\$ 10,344	7%
Total Expenses	\$ 1,276,878	\$ 1,231,509	\$ 45,369	4%
Increase (Decrease) in Net Position	\$ (76,409)	\$ 55,922	\$ (132,331)	-237%
Net Position, Beginning of Year	\$ 2,538,877	\$ 2,482,955	\$ 55,922	2%
Net Position, End of Year	\$ 2,462,468	\$ 2,538,877	\$ (76,409)	-3%

Results of Operations

Revenues of the Authority are generated principally Federal and State funding grant income. The Authority's revenue decreased by \$86,962 compared to the previous fiscal year.

- Tenant revenue decreased by \$16,978. This was primarily due to a reduction in other tenant charges in the amount of \$11,102. Dwelling rent also decreased by \$5,876 due to a reduction in the average dwelling rent charged per unit.
- HUD operating grants decreased by \$140,890. This was primarily due to a reduction in operating grant related to the CFP Program in the amount of \$100,658 due to a decrease in operating expenses paid through the CFP Program. Low Rent Program operating grants also were reduced by \$40,232.
- Capital grants increased by \$35,452. This was due to an increase in capital improvement projects associated with the CFP program.
- Interest income decreased by \$1,243 primarily to decrease in investments balances.
- Other revenue increased by \$34,211. This is due to insurance proceeds received for the repair of the elevator and a vehicle.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

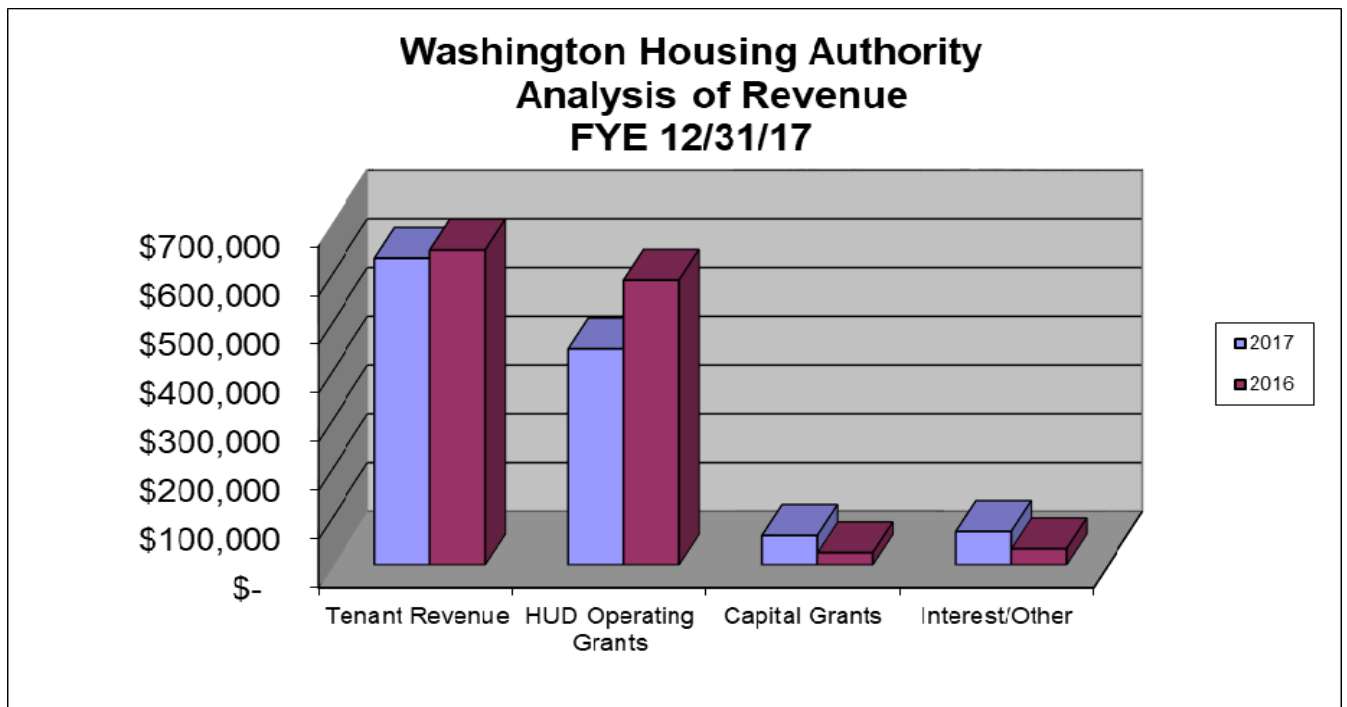
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2017

Results of Operations – (Continued)

Total expenses increased by \$45,370. Significant variances include the following:

- Administration increased by \$11,222. Office expenses increased by \$6,096 due to an increase in telephone contract costs. Administration benefits increased by \$4,541 due to an increase in health benefits.
- Tenant services increased by \$5,470 due to an increase in cable provided to the tenants and other services provided to the tenants.
- Extraordinary maintenance/casualty losses consists of an elevator motor replacement paid using insurance proceed funds.
- Depreciation increased by \$10,344 due to addition of building improvements and several pieces of equipment to fixed assets in the current year.

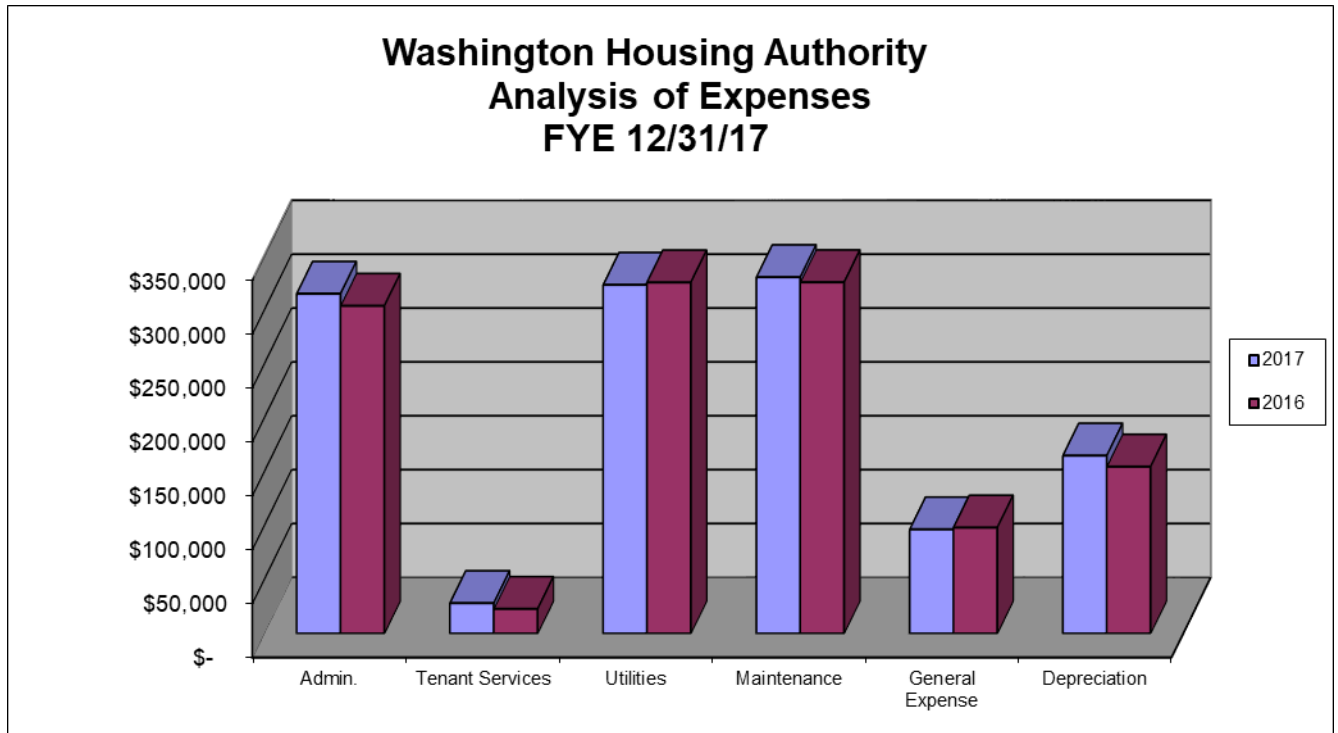
The following presentations have been provided to demonstrate the revenues and expenses by summarized account category:



HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2017

Results of Operations – (Continued)



Capital Assets

As of December 31, 2017, the Washington Housing Authority's net investment in capital assets was \$1,931,860. This investment includes building improvements and equipment.

<u>Category</u>	<u>FYE 2017</u>	<u>FYE 2016</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 99,607	\$ 99,607	\$ -	0%
Buildings	\$ 7,097,375	\$ 7,067,841	\$ 29,534	0%
Equipment	\$ 310,850	\$ 267,331	\$ 43,519	16%
Accumulated Depreciation	\$ (5,575,972)	\$ (5,423,008)	\$ (152,964)	3%
Total Net Fixed Assets	\$ 1,931,860	\$ 2,011,771	\$ (79,911)	-4%

Buildings increased due to the replacement of a hot water heater, boiler, mini-split system, and electronic locks funded by the 2013, 2014, and 2015 CFP.

Equipment increased due to the purchase of a vehicle, drain machine, security system, and printer funded by the 2013 and 2014 CFP and the Low Rent Program.

Long term Debt

Due to the Authority's participation in the Indiana Public Retirement System certain liabilities are required to be recorded. The amount of long term debt associated with the pension plan as of December 31, 2017 is \$237,800.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2017

Subsequent Event

Due to the 2018 Congressional Appropriations, the Authority's operating subsidy provided by HUD for the Low Rent Housing Program is estimated to be 92% for the calendar year 2018.

Future funding of CFP and operating subsidies are critical to the continued operation of Low Rent Housing. Without this funding higher rents will be required to maintain the operation in its current high performing state. Labor and maintenance are key components in increased funding.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

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

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

STATEMENT OF NET POSITION
December 31, 2017

ASSETS

Current Assets:

Cash and cash equivalents	\$	568,819
Cash - restricted		23,876
Investments		171,489
Receivables - net of allowances		56,073
Inventory - net of allowances		991
Prepaid expenses		<u>13,623</u>

Total Current Assets 834,871

Non-current Assets:

Capital assets:

Land and construction in progress		99,607
Other capital assets, net of depreciation		<u>1,832,253</u>

Total capital assets - net 1,931,860

Total Non-current Assets 1,931,860

DEFERRED OUTFLOWS OF RESOURCES

Accrued pension		<u>61,677</u>
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Total Deferred Outflow of Resources 61,677

Total Assets and Deferred Outflow of Resources \$ 2,828,408

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

STATEMENT OF NET POSITION - (Continued)
December 31, 2017

LIABILITIES

Current Liabilities:

Accounts payable	\$	68,994
Accrued salaries and benefits		14,105
Tenant security deposit liability		23,876
Unearned revenues		<u>2,832</u>

Total Current Liabilities 109,807

Non-current Liabilities:

Non-current liabilities - Other		<u>237,800</u>
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Total Non-current Liabilities 237,800

Total Liabilities 347,607

DEFERRED INFLOWS OF RESOURCES

Accrued pension		<u>18,333</u>
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Total Deferred Inflow of Resources 18,333

NET POSITION

Net investment in capital assets		1,931,860
Unrestricted		<u>530,608</u>

Total Net Position 2,462,468

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 2,828,408

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, 2017

OPERATING REVENUES

Tenant revenue	\$	628,647
Governmental grants and subsidy		442,942
Miscellaneous		<u>63,835</u>
Total operating revenue		<u>1,135,424</u>

OPERATING EXPENSES

Administrative	315,282
Tenant services	28,201
Utilities	323,525
Ordinary maintenance and operations	330,702
Insurance	49,978
General	46,565
Non-routine maintenance	17,534
Depreciation expense	<u>165,091</u>

Total operating expenses 1,276,878

Operating income (loss) (141,454)

NON-OPERATING REVENUES (EXPENSES)

Investment income	5,037
Gain (loss) on disposal of capital assets	<u>(400)</u>

Net non-operating revenues (expenses) 4,637

Income (loss) before contributions and transfers (136,817)

Capital contributions 60,408

Change in net position (76,409)

Total net position - beginning of year 2,538,877

Total net position - end of year \$ 2,462,468

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from tenants	\$ 616,105
Received from governmental grants and subsidy	394,945
Received from other operating activities	63,835
Payments for goods and services	(601,314)
Payments to employees	(437,801)
Payment in lieu of taxes	<u>(31,370)</u>
Net cash provided by (used in) operating activities	<u>4,400</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital contributions	60,408
Purchases of capital assets	<u>(85,580)</u>
Net cash provided by (used in) capital and related financing activities	<u>(25,172)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds (payments) from sale (purchase) of investments	47,484
Receipts of interest and dividends	<u>5,102</u>
Net cash provided by (used in) investing activities	<u>52,586</u>
Net increase (decrease) in cash and cash equivalents	31,814
Cash and cash equivalents at beginning of year	<u>560,881</u>
Cash and cash equivalents at end of year	<u>\$ 592,695</u>

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, 2017

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

Operating income (loss)	\$	(141,454)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		165,091
Change in assets and liabilities:		
Receivables, net		(47,331)
Inventories, net		103
Prepaid expenses		31,995
Accounts and other payables		(10,049)
Tenant security deposit		205
Unearned revenues		(9,165)
Accrued expenses		<u>15,005</u>
Net cash provided by (used) by operating activities	\$	<u><u>4,400</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 – (Continued)
December 31, 2017

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

1B. Basis of Presentation – (Continued)

The Authority operates the following programs in the enterprise fund:

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

Capital Fund Program - 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 Programs – 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 require 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, 2017

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

1F. Assets, Liabilities, 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, tenant accounts receivable and accrued interest receivable.

Fixed Assets

Fixed 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 Low Rent and CDBG program.

Compensated Absences

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

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2017

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position report 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 life time.

In addition to liabilities, the Statement of Net Position report 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, 2017

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
Capital Fund Program	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>
Capital Fund Program	Modernization

For the year ended December 31, 2017, 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, 2017

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

3A. Cash Deposits and Investments

As of December 31, 2017, the Authority had the following cash deposits and investments:

Cash deposits	\$	592,295
Petty cash / change fund		400
Investments		<u>171,489</u>
Total	\$	<u><u>764,184</u></u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2017:

Cash and cash equivalents	\$	568,819
Restricted assets		23,876
Investments		<u>171,489</u>
Total	\$	<u><u>764,184</u></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, 2017, the Authority's bank balances of \$629,000 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.

Investments

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2017, the Authority's investment balance of \$171,489 was entirely covered by FDIC or PDIF insurance.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority's investments consist entirely of certificate of deposits, credit risk is not applicable to the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2017

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

3A. Cash Deposits and Investments – (Continued)

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At December 31, 2017, the concentration of the Authority's investment (excluding cash deposits) was as follows:

Type of Investment	Market Value	Maturity Date
Certificate of Deposit	\$ 22,992	5/7/2018
Certificate of Deposit	999	4/17/2018
Certificate of Deposit	25,995	3/13/2018
Certificate of Deposit	50,545	2/15/2022
Certificate of Deposit	70,958	9/15/2020
Total	<u>\$ 171,489</u>	

3B. Restricted Assets

Restricted assets at December 31, 2017 consist of the following:

Type of Restricted Assets	Cash Including Time Deposits	Investments	Accrued Interest	Total
Security deposit	\$ <u>23,876</u>	\$ <u>----</u>	\$ <u>----</u>	\$ <u>23,876</u>

3C. Accounts Receivable

Receivables at December 31, 2017 consist of the following:

Tenant account receivable	\$ 3,917
Allowance for doubtful account	<u>(1,200)</u>
Tenants - net of allowance	2,717
HUD	52,598
Accrued interest	<u>758</u>
Total Accounts Receivable	<u>\$ 56,073</u>

3D. Inventory

Inventory at March 31, 2018 comprised of the following:

Inventory	\$ 1,101
Less: Allowance for obsolete inventory	<u>(110)</u>
Inventory - net of allowance	<u>\$ 991</u>

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2017

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

3E. Capital Assets

A summary of capital asset activity for the year ended December 31, 2017 is as follows:

	Balance January 1, 2017	Additions	(Retirement)	Balance December 31, 2017
Non-depreciable assets:				
Land	\$ 99,607	\$ -	\$ -	\$ 99,607
Total non-depreciable assets	<u>99,607</u>	<u>-</u>	<u>-</u>	<u>99,607</u>
Depreciable assets:				
Building	7,067,841	29,534	-	7,097,375
Equipment - administration	<u>267,331</u>	<u>56,046</u>	<u>(12,527)</u>	<u>310,850</u>
Total depreciable assets	7,335,172	85,580	(12,527)	7,408,225
Accumulated depreciation	<u>(5,423,008)</u>	<u>(165,091)</u>	<u>12,127</u>	<u>(5,575,972)</u>
Total depreciable assets, net	<u>1,912,164</u>	<u>(79,511)</u>	<u>(400)</u>	<u>1,832,253</u>
Capital assets, net	<u>\$ 2,011,771</u>	<u>\$ (79,511)</u>	<u>\$ (400)</u>	<u>\$ 1,931,860</u>

Depreciation expense is charged to programs as follows:

<u>Business-type Activities</u>	
Low Rent	\$ 134,329
CFP	9,624
CDBG	<u>21,138</u>
Total depreciation expense	<u>\$ 165,091</u>

3F. Accounts Payable

Accounts payable at December 31, 2017 consist of the following:

Vendors & contractors	\$ 4,676
Accrued liabilities	39,608
PILOT	<u>24,710</u>
Total Accounts Payable	<u>\$ 68,994</u>

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2017

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

3G. Non-Current Liabilities

Non-current liabilities at December 31, 2017 consists of the following:

Net pension liability \$ 237,800

Changes in non-current liabilities

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

<u>Description</u>	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2017</u>	<u>Amounts Due within One Year</u>
Net Pension Liability	\$ <u>244,622</u>	\$ <u>---</u>	\$ <u>6,822</u>	\$ <u>237,800</u>	\$ <u>-0-</u>

3H. 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

	<u>Transfers In</u>	<u>Transfers Out</u>
Low Rent	\$ 88,318	\$ -
Capital Fund Program	-	(88,318)
Total	<u>\$ 88,318</u>	<u>\$ (88,318)</u>

NOTE 4 – OTHER NOTES

4A. Pension Plan

Description of Pension Plan

The Housing Authority of the City of Washington participates in a cost-sharing multiple-employer Pension Plan, as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective as of July 1, 2011. PERF was established to provide retirement, disability and survivor benefit to full-time employees of the State of Indiana and those political subdivisions that elect to participate.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2017

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan (Continued)

Description of Pension Plan – (Continued)

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

Public employees, which includes:	Legislators Retirement:
State employees	Defined Benefit
Local employees	Deferred Contributions
TRF	
Police and Firemen	
Judges	
Prosecuting Attorneys	

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

Contribution Rates

Employer contribution rates for the Defined Benefit (pension) are determined annually by the INPRS Board based on recommendations by the INPRS actuary.

Members are required to contribute 3 percent of gross wages to their Annuity Savings Account. Employers have the option of making all or part of this contribution on behalf of the member. Members may also make voluntary contributions to the Annuity Savings Account up to an additional 10 percent of their gross wages, under certain limitations.

INPRS Basis of Accounting

The financial statement of INPRS have 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.

INPRS Deposit and Investment Policies and Provisions

At June 30, 2017, cash and investments of the funds were held by banks or trust companies under custodial agreements with INPRS. The INPRS Board of Trustees contracts with investment counsel, trust companies or banks to assist INPRS in its investment program. The Investment Policy Statement adopted by the INPRS Board of Trustees including target asset allocation and allowable ranges that are expected to meet rates of return over a period, while minimizing risk.

On December 16, 2016 the Board approved a revision to the Investment Policy Statement incorporating a change to the asset allocation targets. In addition, the private equity asset class was renamed to private markets.

Investment purchases and sales of securities are recorded as of their trade date.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2017

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan (Continued)

INPRS Method Used to Value Investments

Investments are generally reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Short-term investments consist primarily of cash, money market funds, certificates of deposits and fixed income instruments with maturities of less than one year. Short-term investments are generally reported using cost-based measures, which approximates fair value. Fixed income securities consist primarily of the U.S. government, U.S. government-sponsored agencies, publicly traded debt and commingled investment debt instruments. Equity securities consist primarily of domestic and international stocks in addition to commingled equity instruments. Fixed income and equity securities are generally valued based on published market prices and quotations from national security exchanges and security pricing services. Securities that are not traded on a national security exchange are valued using modeling techniques that include market observable inputs. Commingled funds are valued using the net asset value (NAV) of the entity. Alternative investments include limited partnership interests in private market, absolute return, real estate and risk parity investment strategies. Publicly traded alternative investments are valued based on quoted market prices. In the absence of readily determinable public fair values, alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Holdings are generally valued by a general partner or investment manager on a quarterly or semi-annual basis. Valuation assumptions are based upon the nature of the investment and the underlying business. Additionally, valuation techniques will vary by investment type and involve a certain degree of expert judgment. Alternative investments, such as investments in private market or real estate, are generally considered to be illiquid long-term investments. Due to the inherent uncertainty that exists in the valuation of alternative investments, the realized value upon the sale of an asset may differ significantly from the fair value. Derivative instruments are marked to market daily with changes in fair value recognized as part of investments and investment income. Fully benefit-responsive synthetic guaranteed investment contracts are reported at contract value.

Retirement Benefits

PERF Hybrid retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. Pension benefits (non-ASA) vest after 10 years of creditable service. The vesting period is eight years for certain elected officials. Members are immediately vested in their annuity savings account. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their annuity savings account and will not forfeit creditable service or a full retirement benefit. However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit to withdraw the annuity savings account. A non-vested member who terminates employment before retirement may withdraw his/her annuity savings account after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six months in a covered position may reclaim his/her forfeited creditable service.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four consecutive calendar quarters. The same calendar quarter may not be included in two different groups. For PERF members who serve as an elected official, the highest one year (total of four consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's annual compensation.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2017

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan (Continued)

Retirement Benefits – (Continued)

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent.

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2017; however, eligible members received a one-time check (a.k.a. 13th check) in September 2016. The amount of the one-time check ranged from \$150 to \$450, depending upon a member's years of service, and was for a member who retired or was disabled on or before December 1, 2015, and who was entitled to receive a monthly benefit on July 1, 2016.

Disability and Survivor Benefits

PERF Hybrid also provides disability and survivor benefits. A member who has at least five years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer provided disability insurance benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is \$180 per month or the actuarial equivalent.

Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two or more years or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service.

Employer Allocations

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

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2017

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan (Continued)

Employer Allocations – (Continued)

Public employees, which includes:

State employees

Local employees

TRF

Police and Firemen

Judges

Prosecuting Attorneys

Legislators Retirement:

Defined Benefit

Deferred Contributions

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

The allocation percentages for the Housing Authority's share of the collective pension amounts as of June 30, 2017 and 2016 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, 2017 and 2016, respectively.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2017, the Housing Authority's proportion was 0.0000533% and related wages were reported as \$308,399.

Net Pension Liability

At June 30, 2017 and 2016, the Housing Authority reported a liability of \$237,800 and \$244,622, respectively, for its proportionate share of the net pension liability.

Summary of Actuarial Assumptions, Actuarial Methods and Plan Provisions

The actuarial assumptions were adopted by the Board pursuant to an experience study completed in April 2015, which reflected the experience period from July 1, 2010 through June 30, 2014, as well as data from earlier studies. The actuarial assumptions used in the June 30, 2017 valuations were the same assumptions used in the 2016 valuations, except for the mortality assumption for disabled members. The RP-2014 (with MP-2014 improvement removed) Disability Mortality Table was assumed instead of the RP-2014 (with MP-2014 improvement removed) Healthy Annuitant Mortality Tables with collar adjustments. Other minor assumption changes and refinements were made pursuant to the actuarial audit completed since the prior year and are summarized in the report.

Changes in Actuarial Assumptions

For active and inactive vested members, a salary load of \$400 was added to approximate the impact on average monthly earnings of unused sick leave accumulated at termination of employment.

For disabled members, the mortality assumption is updated from the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality tables to the RP-2014 (with MP-2014 improvement removed) Disability Mortality tables.

Changes in Actuarial Methods

There were no method changes for June 30, 2017 valuation.

Changes in Plan Provisions

Per INPRS, ASA annuitizations will be accommodated through a third-party annuity provider beginning January 1, 2018, compared to the previous anticipated start date of April 1, 2017.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2017

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan (Continued)

Actuarial Assumptions

- Measurement Date June 30, 2017
- Valuation Date
 - Assets: June 30, 2017
 - Liabilities: June 30, 2016 - Member census data as of June 30, 2016 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2016 and June 30, 2017. The valuation results from June 30, 2016 were rolled-forward to June 30, 2017 to reflect benefit accruals during the year less benefits paid.
- Inflation: 2.25%
- Future Salary Increases: 2.5% - 4.25%
- COLA: 1.0% compounded annually on employer funded pension, beginning January 1, 2020. Retired members were provided a 13th check by October 1, 2017, and will be provided a 13th check by October 1, 2018, which is reflected in the valuation.
- Mortality Assumption (Healthy): RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Table with future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.
- Mortality Assumption (Disabled): RP-2014 (with MP-2014 improvement removed) Disability Mortality Table with future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.
- Experience Study: The most recent comprehensive experience study was completed in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2015 actuarial valuation based on the results of the study.
- Discount Rate: The discount rate used to measure the total pension liability as of June 30, 2017, is 6.75% and is equal to the long-term expected return on plan investments, net of administrative expenses. The INPRS Board of Trustees has established a funding policy of setting the employer contribution rate equal to the greater of: 1) the current contribution rate of 11.2%, or 2) the actuarially determined contribution rate computed by the actuary using the assumptions and methods selected by the Board for the annual actuarial valuations. The assumptions and methods selected by the Board for the June 30, 2017 actuarial valuation include a 6.75% expected return on assets assumption, a 20-year level dollar closed method for amortizing future layers of unfunded actuarial accrued liability (30 years for amortization layers established prior to June 30, 2016), and a 5-year smoothing method for recognizing investment gains and losses in the actuarial value of assets. Therefore, if the Board continues to follow its current funding policy, which it has done for the past several years, the employer contribution rates established will be sufficient to fully fund the plan within 20 to 30 years. Furthermore, we note that a deterministic projection assuming no future gains or losses shows that the actuarially determined contribution rate is expected to reach a peak of 10.9%. As a result, a detailed projection of plan assets and cash flows was not separately prepared to demonstrate that plan assets will be sufficient to pay all future benefit payments for current members.

The long-term return expectation for the defined benefit retirement plan has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2017

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan (Continued)

Actuarial Assumptions – (Continued)

Global Asset Classes	Target Allocation	Target Range
Public equity	22.0%	19.5 to 24.5%
Private Markets	14.0	10.0 to 18.0
Fixed Income – Ex Inflation-Linked	20.0	17.0 to 23.0
Fixed Income – Inflation-Linked	7.0	4.0 to 10.0
Commodities	8.0	6.0 to 10.0
Real Estate	7.0	3.5 to 10.5
Absolute Return	10.0	6.0 to 14.0
Risk Parity	12.0	7.0 to 17.0
Total	100.00%	

Total pension liability for the Plan was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate was assumed the contributions from employers and where applicable from the members would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on those assumptions, the Plan's fiduciary net position were projected to be available to make all projected future benefit payments of current Plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for the Plan.

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 6.75%, 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 (5.75%) or 1 percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	Discount rate (6.75%)	1% Increase (7.75%)
\$346,822	\$237,800	\$147,173

Pension Expense

For the year ended June 30, 2017, the Authority recognized pension expense of \$39,857 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.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2017

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan (Continued)

Investment Valuation and Benefit Payment Policies

The pooled and non-pooled investments are reported at fair value by INPRS. Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest are distributions from inactive, non-vested members' annuity savings accounts. These distributions may be requested by members or auto-distributed by the fund when certain criteria are met.

Contributions

The State is obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the Plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risk and costs, including benefit costs, are shared proportionately by the participating employers. During fiscal year 2017, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 11.19 percent was required from employers during the period of July 1 through December 31, 2016, and an average contribution rate of 11.2 percent was required for the period of January 1 through June 30, 2017. For the PERF ASA Only Plan, all participating employers were also required to contribute 11.2 percent of covered payroll. In accordance to IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less than 3 percent and not be greater than the normal cost of the fund which was 4.6 percent for the fiscal year ended June 30, 2017, and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan.

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

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, 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 actual and expected experience	\$4,516	\$185
Net differences between projected and actual earnings on pension plan investments	37,616	11,922
Changes in proportion	652	6,226
Changes in assumption	3,818	--
Employer contributions subsequent to June 30, 2017	15,075	--
Total	\$61,677	\$18,333

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2017

NOTE 4 – OTHER NOTES - (Continued)

4A. Pension Plan (Continued)

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

Year ended June 30:	
2018	\$24,282
2019	15,071
2020	5,271
2021	(1,280)
2022	--
Thereafter	--

The Authority's balance of deferred outflows of resources of \$61,677 will be included as a reduction of the collective net pension liability in future years.

4B. Commitments - Construction

At December 31, 2017, the Authority had the following pending Capital Fund project in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-14	\$ 197,843	\$ 105,665
CFP 501-15	200,125	136,540
CFP 501-16	207,915	146,739
	<u>\$ 605,883</u>	<u>\$ 388,944</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 Ashmere Insurance Co. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$1,000 deductibles.
d. Health and Life	Health and life insurance is provided by United Healthcare.

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.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2017

NOTE 4 – OTHER NOTES - (Continued)

4D. 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.

4E. 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 casualty losses and depreciation expense and includes investment income and gain (loss) on disposal of capital assets in operating activities, which differs from the presentation of basic financial statements.

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 18, 2018 and concluded that no subsequent events have occurred that would require adjustment to or disclosure 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 2018 federal budget.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
December 31, 2017

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-13</u>
Funds approved	\$ 198,336
Funds expended	<u>198,336</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 198,336
Funds expended	<u>198,336</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated April 10, 2017 submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2017.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

FINANCIAL DATA SCHEDULE
Year Ended December 31, 2017

	Project Total	14.228 Community Development Block Grants/State 's Program	1 Busines s Activiti es	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$533,685	\$14,169	\$20,965	\$568,819	\$0	\$568,819
114 Cash - Tenant Security Deposits	\$20,726	\$3,150		\$23,876	\$0	\$23,876
100 Total Cash	\$554,411	\$17,319	\$20,965	\$592,695	\$0	\$592,695
122 Accounts Receivable - HUD Other Projects	\$52,598			\$52,598	\$0	\$52,598
126 Accounts Receivable - Tenants	\$3,477	\$440		\$3,917	\$0	\$3,917
126.1 Allowance for Doubtful Accounts -Tenants	-\$936	-\$264		-\$1,200	\$0	-\$1,200
129 Accrued Interest Receivable	\$758			\$758	\$0	\$758
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$55,897	\$176	\$0	\$56,073	\$0	\$56,073
131 Investments - Unrestricted	\$171,489			\$171,489	\$0	\$171,489
142 Prepaid Expenses and Other Assets	\$12,928	\$601	\$94	\$13,623	\$0	\$13,623
143 Inventories	\$1,101			\$1,101	\$0	\$1,101
143.1 Allowance for Obsolete Inventories	-\$110			-\$110	\$0	-\$110
150 Total Current Assets	\$795,716	\$18,096	\$21,059	\$834,871	\$0	\$834,871
161 Land	\$97,107	\$2,500		\$99,607	\$0	\$99,607
162 Buildings	\$6,279,875	\$817,500		\$7,097,375	\$0	\$7,097,375
164 Furniture, Equipment & Machinery - Administration	\$307,350	\$3,500		\$310,850	\$0	\$310,850
166 Accumulated Depreciation	-\$5,476,152	-\$99,820		-\$5,575,972	\$0	\$5,575,972
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,208,180	\$723,680	\$0	\$1,931,860	\$0	\$1,931,860
180 Total Non-Current Assets	\$1,208,180	\$723,680	\$0	\$1,931,860	\$0	\$1,931,860
200 Deferred Outflow of Resources	\$56,229	\$4,734	\$714	\$61,677	\$0	\$61,677
290 Total Assets and Deferred Outflow of Resources	\$2,060,125	\$746,510	\$21,773	\$2,828,408	\$0	\$2,828,408
312 Accounts Payable <= 90 Days	\$4,361	\$225	\$90	\$4,676	\$0	\$4,676
321 Accrued Wage/Payroll Taxes Payable	\$13,097	\$879	\$129	\$14,105	\$0	\$14,105
333 Accounts Payable - Other Government	\$21,265	\$3,445		\$24,710	\$0	\$24,710
341 Tenant Security Deposits	\$20,726	\$3,150		\$23,876	\$0	\$23,876
342 Unearned Revenue	\$2,832			\$2,832	\$0	\$2,832
346 Accrued Liabilities - Other	\$39,608			\$39,608	\$0	\$39,608
310 Total Current Liabilities	\$101,889	\$7,699	\$219	\$109,807	\$0	\$109,807
357 Accrued Pension and OPEB Liabilities	\$216,983	\$18,063	\$2,754	\$237,800	\$0	\$237,800
350 Total Non-Current Liabilities	\$216,983	\$18,063	\$2,754	\$237,800	\$0	\$237,800
300 Total Liabilities	\$318,872	\$25,762	\$2,973	\$347,607	\$0	\$347,607

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2017

	Project Total	14.228 Community Development Block Grants/State 's Program	1 Business Activities	Subtotal	ELIM	Total
400 Deferred Inflow of Resources	\$16,728	\$1,393	\$212	\$18,333		\$18,333
508.4 Net Investment in Capital Assets	\$1,208,180	\$723,680	\$0	\$1,931,860		\$1,931,860
512.4 Unrestricted Net Position	\$516,345	-\$4,325	\$18,588	\$530,608		\$530,608
513 Total Equity - Net Assets / Position	\$1,724,525	\$719,355	\$18,588	\$2,462,468	\$0	\$2,462,468
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,060,125	\$746,510	\$21,773	\$2,828,408	\$0	\$2,828,408
70300 Net Tenant Rental Revenue	\$535,662	\$34,966		\$570,628	\$0	\$570,628
70400 Tenant Revenue - Other	\$57,755	\$264		\$58,019	\$0	\$58,019
70500 Total Tenant Revenue	\$593,417	\$35,230	\$0	\$628,647	\$0	\$628,647
70600 HUD PHA Operating Grants	\$442,942			\$442,942	\$0	\$442,942
70610 Capital Grants	\$60,408			\$60,408	\$0	\$60,408
71100 Investment Income - Unrestricted	\$5,037			\$5,037	\$0	\$5,037
71500 Other Revenue	\$47,697	\$1,852	\$14,286	\$63,835	\$0	\$63,835
71600 Gain or Loss on Sale of Capital Assets	-\$400			-\$400	\$0	-\$400
70000 Total Revenue	\$1,149,101	\$37,082	\$14,286	\$1,200,469	\$0	\$1,200,469
91100 Administrative Salaries	\$158,770	\$10,386	\$3,224	\$172,380	\$0	\$172,380
91200 Auditing Fees	\$3,808	\$205	\$82	\$4,095	\$0	\$4,095
91400 Advertising and Marketing	\$264			\$264	\$0	\$264
91500 Employee Benefit contributions - Administrative	\$82,438	\$4,455	\$1,076	\$87,969	\$0	\$87,969
91600 Office Expenses	\$28,225	\$1,265	\$508	\$29,998	\$0	\$29,998
91800 Travel	\$501			\$501	\$0	\$501
91900 Other	\$18,860	\$877	\$338	\$20,075	\$0	\$20,075
91000 Total Operating - Administrative	\$292,866	\$17,188	\$5,228	\$315,282	\$0	\$315,282
92400 Tenant Services - Other	\$27,913	\$285	\$3	\$28,201	\$0	\$28,201
92500 Total Tenant Services	\$27,913	\$285	\$3	\$28,201	\$0	\$28,201
93100 Water	\$54,446	\$3		\$54,449	\$0	\$54,449
93200 Electricity	\$132,380	\$16		\$132,396	\$0	\$132,396
93300 Gas	\$49,433	\$412		\$49,845	\$0	\$49,845
93600 Sewer	\$86,747	\$88		\$86,835	\$0	\$86,835
93000 Total Utilities	\$323,006	\$519	\$0	\$323,525	\$0	\$323,525

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2017

	Project Total	14.228 Community Development Block Grants/State's Program	1 Business Activities	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	\$125,564	\$9,667	\$788	\$136,019	\$0	\$136,019
94200 Ordinary Maintenance and Operations - Materials and Other	\$61,196	\$230		\$61,426	\$0	\$61,426
94300 Ordinary Maintenance and Operations Contracts	\$88,700	\$485		\$89,185	\$0	\$89,185
94500 Employee Benefit Contributions - Ordinary Maintenance	\$39,040	\$4,972	\$60	\$44,072	\$0	\$44,072
94000 Total Maintenance	\$314,500	\$15,354	\$848	\$330,702	\$0	\$330,702
96110 Property Insurance	\$17,776	\$1,124		\$18,900	\$0	\$18,900
96120 Liability Insurance	\$13,958	\$750	\$297	\$15,005	\$0	\$15,005
96130 Workmen's Compensation	\$6,989	\$376	\$150	\$7,515	\$0	\$7,515
96140 All Other Insurance	\$8,536	\$16	\$6	\$8,558	\$0	\$8,558
96100 Total insurance Premiums	\$47,259	\$2,266	\$453	\$49,978	\$0	\$49,978
96200 Other General Expenses	\$130		\$1,000	\$1,130	\$0	\$1,130
96210 Compensated Absences	\$7,313	\$786		\$8,099	\$0	\$8,099
96300 Payments in Lieu of Taxes	\$21,265	\$3,445		\$24,710	\$0	\$24,710
96400 Bad debt - Tenant Rents	\$12,626			\$12,626	\$0	\$12,626
96000 Total Other General Expenses	\$41,334	\$4,231	\$1,000	\$46,565	\$0	\$46,565
96900 Total Operating Expenses	\$1,046,878	\$39,843	\$7,532	\$1,094,253	\$0	\$1,094,253
97000 Excess of Operating Revenue over Operating Expenses	\$102,223	-\$2,761	\$6,754	\$106,216	\$0	\$106,216
97200 Casualty Losses - Non-capitalized	\$17,534			\$17,534	\$0	\$17,534
97400 Depreciation Expense	\$143,953	\$21,138		\$165,091	\$0	\$165,091
90000 Total Expenses	\$1,208,365	\$60,981	\$7,532	\$1,276,878	\$0	\$1,276,878
10010 Operating Transfer In	\$88,318			\$88,318	-\$88,318	\$0
10020 Operating transfer Out	-\$88,318			-\$88,318	\$88,318	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$59,264	-\$23,899	\$6,754	-\$76,409	\$0	-\$76,409
11030 Beginning Equity	\$1,783,789	\$743,254	\$11,834	\$2,538,877	\$0	\$2,538,877
11210 Number of Unit Months Leased	2262	84		2346	0	2346
11270 Excess Cash	\$592,669			\$592,669		\$592,669
11620 Building Purchases	\$29,534			\$29,534		\$29,534
11640 Furniture & Equipment - Administrative Purchases	\$56,046			\$56,046		\$56,046

**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, 2017, 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 18, 2018.

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 opinions 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.

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 18, 2018

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES
December 31, 2017

The current audit report for the year ended December 31, 2017 disclosed no audit finding.