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July 31, 2019

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

We have reviewed the audit report of Washington Housing Authority, which was opined on by Audit Solutions, LLC, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. 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, 2018, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, the audit report was prepared in accordance with the 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, 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, 2018

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, 2018, 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, 2018, 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 6, 2019 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 6, 2019

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2018

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, 2018. The Washington Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2018, 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, 2018

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, 2018, 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, 2018.

Financial Highlights

The Washington Housing Authority's net position decreased from \$2,462,468 to \$2,396,193, a decrease of \$66,275 or 3%. Total assets also decreased by \$85,986 or 3%.

Total revenue decreased from \$1,200,469 to \$1,179,935, a decrease of \$20,534 or 2%.

Total expenses decreased by \$30,668, from \$1,276,878 to \$1,246,210 for the current year. This represents a decrease of 2%.

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, 2018, and December 31, 2017.

**Summary Statement of Net Position
As of December 31, 2018 and 2017**

<u>Category</u>	<u>FYE 2018</u>	<u>FYE 2017</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 920,906	\$ 834,871	\$ 86,035	10%
Noncurrent Assets	\$ 1,759,839	\$ 1,931,860	\$ (172,021)	-9%
Total Assets	\$ 2,680,745	\$ 2,766,731	\$ (85,986)	-3%
Deferred Outflow of Resources	\$ 23,698	\$ 61,677	\$ (37,979)	-62%
Current Liabilities	\$ 96,200	\$ 109,807	\$ (13,607)	-12%
Noncurrent Liabilities	\$ 181,742	\$ 237,800	\$ (56,058)	-24%
Total Liabilities	\$ 277,942	\$ 347,607	\$ (69,665)	-20%
Deferred Inflow of Resources	\$ 30,308	\$ 18,333	\$ 11,975	65%
Unrestricted	\$ 636,354	\$ 530,608	\$ 105,746	20%
Net Investment in Capital Assets	\$ 1,759,839	\$ 1,931,860	\$ (172,021)	-9%
Total Net Position	\$ 2,396,193	\$ 2,462,468	\$ (66,275)	-3%

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2018

Housing Authority Activities & Highlights – (Continued)

Current Assets

The Authority's current asset balances increased by \$86,035. This is primarily due to an increase in unrestricted cash/investment balances from \$740,308 in 2017 to \$878,554 in 2018. Unrestricted cash/investment balances increased due to a CFP receivable balance in the prior year in the amount of \$52,598 paid in current year and an increase in Low Rent Program operating subsidy by \$82,794. In contrast, A/R-HUD decreased by \$52,598.

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.

Deferred Outflow of Resources

Deferred outflow of resources decreased by \$37,979 due to account balance changes reported on the 2018 pension plan document provided by INPRS.

Current Liabilities

Current liabilities decreased by \$13,607. This was primarily due to the reduction in accruals associated with utilities in the amount of \$12,364 and accounts payable – other government in the amount of \$3,979.

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 \$237,800 in the prior year to \$181,742 in the current year.

Deferred Inflow of Resources

Deferred inflow of resources increased by \$11,975 due to account balance changes reported on the 2018 pension plan document provided by INPRS.

Net Position

The net position of the Authority decreased by \$66,275 compared to the previous fiscal year.

The Authority's unrestricted component of net position changed from \$530,608 to \$636,354, an increase of \$105,746, or 20% for the current year. This was primarily due to operating revenues exceeding operating expenditures. 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	\$ 607,981
NSP Program	2,826
Business Activities	<u>25,547</u>
Total Unrestricted Net Assets	\$ <u>636,354</u>

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2018

Housing Authority Activities & Highlights – (Continued)

Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

Category	FYE 2018	FYE 2017	Change \$	Change %
Tenant Revenue	\$ 607,794	\$ 628,647	\$ (20,853)	-3%
HUD Operating Grants	\$ 538,181	\$ 442,942	\$ 95,239	22%
Capital Grants	\$ -	\$ 60,408	\$ (60,408)	-100%
Interest Income	\$ 1,785	\$ 5,037	\$ (3,252)	-65%
Other Revenue	\$ 32,175	\$ 63,435	\$ (31,260)	-49%
Total Revenue	\$ 1,179,935	\$ 1,200,469	\$ (20,534)	-2%
Administration	\$ 310,874	\$ 315,282	\$ (4,408)	-1%
Tenant Service	\$ 37,226	\$ 28,201	\$ 9,025	32%
Utilities	\$ 342,731	\$ 323,525	\$ 19,206	6%
Ordinary Maintenance	\$ 302,991	\$ 330,702	\$ (27,711)	-8%
General Expense	\$ 83,375	\$ 96,543	\$ (13,168)	-14%
Extraordinary Maint/Casualty Losses	\$ -	\$ 17,534	\$ (17,534)	-100%
Depreciation	\$ 169,013	\$ 165,091	\$ 3,922	2%
Total Expenses	\$ 1,246,210	\$ 1,276,878	\$ (30,668)	-2%
Increase (Decrease) in Net Position	\$ (66,275)	\$ (76,409)	\$ 10,134	-13%
Net Position, Beginning of Year	\$ 2,462,468	\$ 2,538,877	\$ (76,409)	-3%
Net Position, End of Year	\$ 2,396,193	\$ 2,462,468	\$ (66,275)	\$ (0)

Results of Operations

Revenues of the Authority are generated principally from Federal and State funding grant income. The Authority's revenue decreased by \$20,534 compared to the previous fiscal year.

- Tenant revenue decreased by \$20,853. This was due to a reduction in the average dwelling rent per unit, which decreased from \$243 per unit to \$235 per unit.
- HUD operating grants increased by \$95,239. This was primarily due to an increase in Low Rent Program operating subsidy by \$82,794. CFP Program operating grants also increased by \$12,445.
- Capital grants decreased by \$60,408. This was due to a reduction in capital improvement projects associated with the CFP program.
- Interest income decreased by \$3,252 primarily due to a change in market conditions.
- Other revenue decreased by \$31,260. This is due to insurance proceeds received in the prior year.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2018

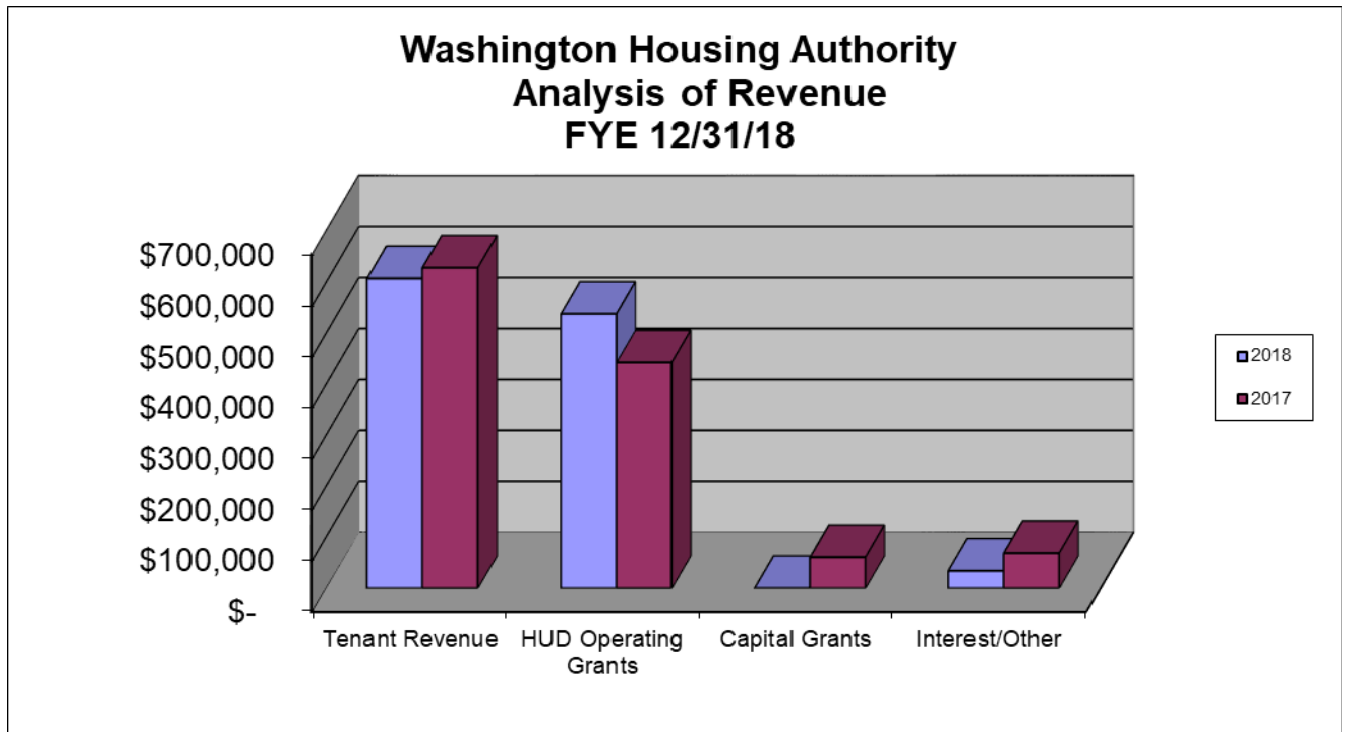
Housing Authority Activities & Highlights – (Continued)

Results of Operations – (Continued)

Total expenses decreased by \$30,668. Significant variances include the following:

- Tenant services increased by \$9,025 due to an increase in activities provided to the tenants.
- Utilities increased by \$19,206 due primarily to an increase in gas expenses in the amount of \$17,595.
- Ordinary maintenance decreased by \$27,711 due primarily to a reduction in lawn care in the amount of \$21,251.
- General expenses decreased by \$13,168 due to a reduction in payment in lieu of taxes by \$3,979, bad debt related to tenants in the amount of \$5,430, compensated absences in the amount of \$1,518, and insurance premiums in the amount of \$2,689.

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

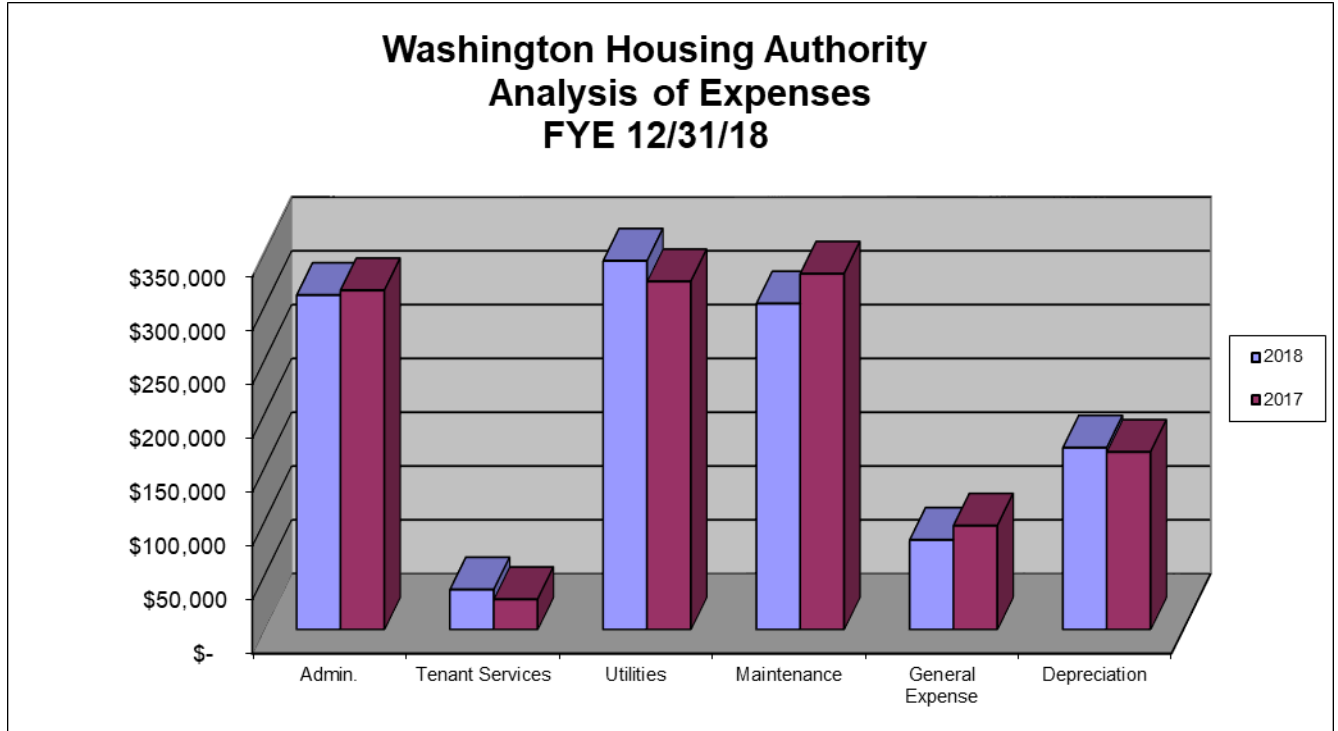


HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2018

Housing Authority Activities & Highlights – (Continued)

Results of Operations – (Continued)



Capital Assets

As of December 31, 2018, the Washington Housing Authority's net investment in capital assets was \$1,759,839. This investment includes land, building improvements, and equipment, net of accumulated depreciation.

<u>Category</u>	<u>FYE 2018</u>	<u>FYE 2017</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 99,607	\$ 99,607	\$ -	0%
Buildings	\$ 7,090,383	\$ 7,097,375	\$ (6,992)	0%
Equipment	\$ 259,836	\$ 310,850	\$ (51,014)	-16%
Accumulated Depreciation	\$ (5,689,987)	\$ (5,575,972)	\$ (114,015)	2%
Total Net Fixed Assets	\$ 1,759,839	\$ 1,931,860	\$ (172,021)	-9%

Buildings decreased due to the disposal of a 100-gallon hot water heater and a security system.

Equipment decreased due to the disposal of a tractor, fork-lift, camera system, computer, and copier.

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, 2018, is \$181,742.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2018

Subsequent Event

Due to the 2019 Congressional Appropriations, the Authority's operating subsidy provided by HUD for the Low Rent Housing Program is estimated to be 89% for the calendar year 2019.

Future funding of CFP and 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. We are also a part of the Operating Reserve Offset lawsuit and awaiting an answer to the case from the Federal Government.

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, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$	759,787
Cash - restricted		22,783
Investments		118,767
Receivables - net of allowances		4,510
Inventory - net of allowances		823
Prepaid expenses		<u>14,236</u>

Total Current Assets 920,906

Non-current Assets:

Capital assets:

Land and construction in progress		99,607
Other capital assets, net of depreciation		<u>1,660,232</u>

Total capital assets - net 1,759,839

Total Non-current Assets 1,759,839

DEFERRED OUTFLOWS OF RESOURCES

Accrued pension		<u>23,698</u>
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Total Deferred Outflow of Resources 23,698

Total Assets and Deferred Outflow of Resources \$ 2,704,443

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

STATEMENT OF NET POSITION - (Continued)
December 31, 2018

LIABILITIES

Current Liabilities:

Accounts payable	\$	52,409
Accrued salaries and benefits		15,789
Tenant security deposit liability		22,783
Unearned revenues		<u>5,219</u>

Total Current Liabilities 96,200

Non-current Liabilities:

Non-current liabilities - Other		<u>181,742</u>
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Total Non-current Liabilities 181,742

Total Liabilities 277,942

DEFERRED INFLOWS OF RESOURCES

Accrued pension		<u>30,308</u>
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Total Deferred Inflow of Resources 30,308

NET POSITION

Net investment in capital assets		1,759,839
Unrestricted		<u>636,354</u>

Total Net Position 2,396,193

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 2,704,443

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, 2018

OPERATING REVENUES	
Tenant revenue	\$ 607,794
Governmental grants and subsidy	538,181
Miscellaneous	<u>35,183</u>
Total operating revenue	<u>1,181,158</u>
OPERATING EXPENSES	
Administrative	310,874
Tenant services	37,226
Utilities	342,731
Ordinary maintenance and operations	302,991
Insurance	47,289
General	36,086
Depreciation expense	<u>169,013</u>
Total operating expenses	<u>1,246,210</u>
Operating income (loss)	<u>(65,052)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	1,785
Gain (loss) on disposal of capital assets	<u>(3,008)</u>
Net non-operating revenues (expenses)	<u>(1,223)</u>
Income (loss) before contributions and transfers	<u>(66,275)</u>
Change in net position	(66,275)
Total net position - beginning of year	<u>2,462,468</u>
Total net position - end of year	<u>\$ 2,396,193</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$	600,691
Received from governmental grants and subsidy		590,779
Received from other operating activities		35,183
Payments for goods and services		(617,481)
Payments to employees		(449,260)
Payment in lieu of taxes		<u>(24,710)</u>

Net cash provided by (used in) operating activities 135,202

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments		52,722
Receipts of interest and dividends		<u>1,951</u>

Net cash provided by (used in) investing activities 54,673

Net increase (decrease) in cash and cash equivalents 189,875
Cash and cash equivalents at beginning of year 592,695

Cash and cash equivalents at end of year \$ 782,570

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, 2018

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

Operating income (loss)	\$	(65,052)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		169,013
Change in assets and liabilities:		
Receivables, net		51,397
Inventories, net		168
Prepaid expenses		37,366
Accounts and other payables		(60,279)
Tenant security deposit		(1,093)
Unearned revenues		14,362
Accrued expenses		<u>(10,680)</u>
Net cash provided by (used) by operating activities	\$	<u><u>135,202</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, 2018

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, 2018

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 tenant accounts receivable and accrued interest 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.

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.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2018

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 does 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 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, 2018

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, 2018, 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, 2018

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, 2018, the Authority had the following cash deposits and investments:

Cash deposits	\$	782,170
Petty cash / change fund		400
Investments		<u>118,767</u>
Total	\$	<u><u>901,337</u></u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2018:

Cash and cash equivalents	\$	759,787
Restricted assets		22,783
Investments		<u>118,767</u>
Total	\$	<u><u>901,337</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, 2018, the Authority's bank balances of \$821,214 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, 2018, the Authority's investment balance of \$118,767 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, 2018

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, 2018, the concentration of the Authority's investment (excluding cash deposits) was as follows:

<u>Type of Investment</u>	<u>Market Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ 49,116	2/15/2022
Certificate of Deposit	<u>69,651</u>	9/15/2020
Total	<u>\$ 118,767</u>	

3B. Restricted Assets

Restricted assets at December 31, 2018 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>\$ 22,783</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 22,783</u>

3C. Accounts Receivable

Receivables at December 31, 2018 consist of the following:

Tenant account receivable	\$ 5,739
Allowance for doubtful account	<u>(1,821)</u>
Tenants - net of allowance	3,918
Accrued interest	<u>592</u>
Total Accounts Receivable	<u>\$ 4,510</u>

3D. Inventory

Inventory at December 31, 2018 comprised of the following:

Inventory	\$ 915
Less: Allowance for obsolete inventory	<u>(92)</u>
Inventory - net of allowance	<u>\$ 823</u>

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2018

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

3E. Capital Assets

A summary of capital asset activity for the year ended December 31, 2018 is as follows:

	Balance January 1, 2018	Additions	(Retirement)	Balance December 31, 2018
Non-depreciable assets:				
Land	\$ 99,607	\$ -	\$ -	\$ 99,607
Total non-depreciable assets	99,607	-	-	99,607
Depreciable assets:				
Building	7,097,375	-	(6,992)	7,090,383
Equipment - administration	310,850	-	(51,014)	259,836
Total depreciable assets	7,408,225	-	(58,006)	7,350,219
Accumulated depreciation	(5,575,972)	(169,013)	54,998	(5,689,987)
Total depreciable assets, net	1,832,253	(169,013)	(3,008)	1,660,232
Capital assets, net	\$ 1,931,860	\$ (169,013)	\$ (3,008)	\$ 1,759,839

Depreciation expense is charged to programs as follows:

Business-type Activities	
Low Rent	\$ 146,550
CFP	1,326
CDBG	21,137
Total depreciation expense	\$ 169,013

3F. Accounts Payable

Accounts payable at December 31, 2018 consist of the following:

Vendors & contractors	\$ 4,434
Accrued liabilities	27,244
PILOT	20,731
Total Accounts Payable	\$ 52,409

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2018

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

3G. Non-Current Liabilities

Non-current liabilities at December 31, 2018 consists of the following:

Net pension liability \$ 181,742

Changes in non-current liabilities

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

<u>Description</u>	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2018</u>	<u>Amounts Due within One Year</u>
Net Pension Liability	\$ <u>237,800</u>	\$ <u>---</u>	\$ <u>56,058</u>	\$ <u>181,742</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	\$ 100,763	\$ -
Capital Fund Program	<u>-</u>	<u>(100,763)</u>
Total	<u>\$ 100,763</u>	<u>\$ (100,763)</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, 2018

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:
State employees
Local employees

Legislators Retirement:
Defined Benefit
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.

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
Washington, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2018

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan (Continued)

INPRS Deposit and Investment Policies and Provisions

On June 30, 2018, 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 includes target asset allocations and allowable ranges that are expected to meet rates of return over a period while minimizing risk.

In February 2018, the Board of Trustees approved a revised Investment Policy Statement that did not contain any significant changes.

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

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 observable market 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 on 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 (GIC's) are reported at contract value.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2018

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan (Continued)

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.

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, 2018; however, eligible members received a one-time check (a.k.a. 13th check) in October 1, 2017. The amount of the one-time check ranged from \$150 to \$450, depending upon a member's years of service.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2018

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan (Continued)

Disability and Survivor Benefits

Disability - Upon providing proof of the member's qualification for social security disability benefits, the member is entitled to the sum total of vested contributions plus earnings. Amount can be paid in a lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements).

Survivor - Beneficiary is entitled to the sum total of vested contributions plus earnings. Amount can be paid in a lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements).

Employer Allocations

The allocation percentages for the Housing Authority's share of the collective pension amounts as of June 30, 2018 and 2017 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, 2018 and 2017, respectively.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018, the Housing Authority's proportion was 0.0000535% and related wages were reported as \$273,236.

Net Pension Liability

At June 30, 2018 and 2017, the Housing Authority reported a liability of \$181,742 and \$237,800 respectively, for its proportionate share of the net pension liability.

Actuarial Assumptions

- Measurement Date: June 30, 2018
- Valuation Date:
 - Assets: June 30, 2018
 - Liabilities: June 30, 2017 – The TPL as of June 30, 2018 was determined based on an actuarial valuation prepared as of June 30, 2017 rolled forward one year to June 30, 2018, using the following key actuarial assumptions and other inputs, such as benefit accruals and actual benefit payments during that time period.
- Inflation: 2.25%
- Future Salary Increases: 2.5% - 4.25%
- COLA: In lieu of COLA on January 1, 2019, members in pay were provided a 13th check on October 1, 2018. It is assumed a 13th check would continue for the 2020 and 2021 fiscal years.
- 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.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2018

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan (Continued)

Actuarial Assumptions – (Continued)

- Discount Rate: The discount rate used to measure the total pension liability as of June 30, 2018, is 6.75%.

The discount rate is equal to the expected long-term rate of return on plan investments, net of investment expense and including price inflation. There was no change in the discount rate from the prior 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. The June 30, 2018 actuarial valuation assumes a long-term rate of return on assets of 6.75%, a 20-year level dollar closed method for amortizing the 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.

In the past several years, the Board has followed its current funding policy and the State has complied in its contributions to the plan. Therefore, if past practice is continued, the appropriations will be sufficient to fully fund the plan within 20 to 30 years. In the past, deterministic projections have shown the actuarially determined contribution rate to reach a peak of 10.9% which is slightly below the current rate. As a result, it is presumed that the projected plan assets will be sufficient to cover the future benefit payments for current members and a detailed projection of plan assets and cash flows has not been prepared.

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.

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%	

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2018

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan (Continued)

Actuarial Assumptions – (Continued)

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%)
\$286,091	\$181,742	\$94,726

Pension Expense

For the year ended June 30, 2018, the Authority recognized pension expense of \$24,264 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 December 31, 2018, 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	\$2,377	\$12
Net differences between projected and actual earnings on pension plan investments	5,382	0
Changes in proportion	665	1,115
Changes in assumption	433	29,181
Employer contributions subsequent to June 30, 2018	14,841	--
Total	\$23,698	\$30,308

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2018

NOTE 4 – OTHER NOTES – (Continued)

4A. Pension Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources – (Continued)

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

Year ended June 30:	
2019	\$17,295
2020	(7,387)
2021	(13,300)
2022	(3,218)
2023	--
Thereafter	--

The Authority's balance of deferred outflows of resources of \$23,698 will be included as a reduction of the collective net pension liability in future years.

4B. Commitments - Construction

At December 31, 2018, the Authority had the following pending Capital Fund project in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-15	\$ 200,125	\$ 146,450
CFP 501-16	207,915	145,415
	<u>\$ 408,040</u>	<u>\$ 291,865</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
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2018

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 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 6, 2019 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 2019 federal budget.

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
December 31, 2018

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-14</u>
Funds approved	\$ 197,843
Funds expended	<u>197,843</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 197,843
Funds expended	<u>197,843</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated April 23, 2018 submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2018.
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, 2018

	Project Total	14.228 Community Development Block Grants/State's Program	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$710,980	\$21,003	\$27,804	\$759,787	\$0	\$759,787
114 Cash - Tenant Security Deposits	\$19,633	\$3,150		\$22,783	\$0	\$22,783
100 Total Cash	\$730,613	\$24,153	\$27,804	\$782,570	\$0	\$782,570
126 Accounts Receivable - Tenants	\$5,064	\$675		\$5,739	\$0	\$5,739
126.1 Allowance for Doubtful Accounts -Tenants	-\$1,534	-\$287		-\$1,821	\$0	-\$1,821
129 Accrued Interest Receivable	\$592			\$592	\$0	\$592
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,122	\$388	\$0	\$4,510	\$0	\$4,510
131 Investments - Unrestricted	\$118,767			\$118,767	\$0	\$118,767
142 Prepaid Expenses and Other Assets	\$13,464	\$700	\$72	\$14,236	\$0	\$14,236
143 Inventories	\$915			\$915	\$0	\$915
143.1 Allowance for Obsolete Inventories	-\$92			-\$92	\$0	-\$92
150 Total Current Assets	\$867,789	\$25,241	\$27,876	\$920,906	\$0	\$920,906
161 Land	\$97,107	\$2,500		\$99,607	\$0	\$99,607
162 Buildings	\$6,272,883	\$817,500		\$7,090,383	\$0	\$7,090,383
164 Furniture, Equip. & Machinery – Admin.	\$256,336	\$3,500		\$259,836	\$0	\$259,836
166 Accumulated Depreciation	-\$5,569,030	-\$120,957		-\$5,689,987	\$0	-\$5,689,987
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,057,296	\$702,543	\$0	\$1,759,839	\$0	\$1,759,839
180 Total Non-Current Assets	\$1,057,296	\$702,543	\$0	\$1,759,839	\$0	\$1,759,839
200 Deferred Outflow of Resources	\$22,103	\$1,279	\$316	\$23,698	\$0	\$23,698
290 Total Assets and Deferred Outflow of Resources	\$1,947,188	\$729,063	\$28,192	\$2,704,443	\$0	\$2,704,443
312 Accounts Payable <= 90 Days	\$4,223	\$151	\$60	\$4,434	\$0	\$4,434
321 Accrued Wage/Payroll Taxes Payable	\$15,028	\$615	\$146	\$15,789	\$0	\$15,789
333 Accounts Payable - Other Government	\$17,246	\$3,485		\$20,731	\$0	\$20,731
341 Tenant Security Deposits	\$19,633	\$3,150		\$22,783	\$0	\$22,783
342 Unearned Revenue	\$5,219			\$5,219	\$0	\$5,219
346 Accrued Liabilities - Other	\$27,244			\$27,244	\$0	\$27,244
310 Total Current Liabilities	\$88,593	\$7,401	\$206	\$96,200	\$0	\$96,200
357 Accrued Pension and OPEB Liabilities	\$165,050	\$14,657	\$2,035	\$181,742	\$0	\$181,742
350 Total Non-Current Liabilities	\$165,050	\$14,657	\$2,035	\$181,742	\$0	\$181,742
300 Total Liabilities	\$253,643	\$22,058	\$2,241	\$277,942	\$0	\$277,942

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2018

	Project Total	14.228 Community Development Block Grants/State's Program	1 Business Activities	Subtotal	ELIM	Total
400 Deferred Inflow of Resources	\$28,268	\$1,636	\$404	\$30,308		\$30,308
508.4 Net Investment in Capital Assets	\$1,057,296	\$702,543	\$0	\$1,759,839		\$1,759,839
512.4 Unrestricted Net Position	\$607,981	\$2,826	\$25,547	\$636,354		\$636,354
513 Total Equity - Net Assets / Position	\$1,665,277	\$705,369	\$25,547	\$2,396,193	\$0	\$2,396,193
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,947,188	\$729,063	\$28,192	\$2,704,443	\$0	\$2,704,443

70300 Net Tenant Rental Revenue	\$514,580	\$35,457		\$550,037	\$0	\$550,037
70400 Tenant Revenue - Other	\$57,379	\$378		\$57,757	\$0	\$57,757
70500 Total Tenant Revenue	\$571,959	\$35,835	\$0	\$607,794	\$0	\$607,794
70600 HUD PHA Operating Grants	\$538,181			\$538,181	\$0	\$538,181
71100 Investment Income - Unrestricted	\$1,785			\$1,785	\$0	\$1,785
71500 Other Revenue	\$20,321	\$44	\$14,818	\$35,183	\$0	\$35,183
71600 Gain or Loss on Sale of Capital Assets	-\$3,008			-\$3,008	\$0	-\$3,008
70000 Total Revenue	\$1,129,238	\$35,879	\$14,818	\$1,179,935	\$0	\$1,179,935
91100 Administrative Salaries	\$168,260	\$4,027	\$3,571	\$175,858	\$0	\$175,858
91200 Auditing Fees	\$5,645	\$303	\$121	\$6,069	\$0	\$6,069
91500 Employee Benefit contributions - Administrative	\$74,867	\$1,773	\$1,361	\$78,001	\$0	\$78,001
91600 Office Expenses	\$29,171	\$966	\$386	\$30,523	\$0	\$30,523
91700 Legal Expense	\$350			\$350	\$0	\$350
91800 Travel	\$375			\$375	\$0	\$375
91900 Other	\$18,455	\$890	\$353	\$19,698	\$0	\$19,698
91000 Total Operating - Administrative	\$297,123	\$7,959	\$5,792	\$310,874	\$0	\$310,874
92400 Tenant Services - Other	\$37,226			\$37,226	\$0	\$37,226
92500 Total Tenant Services	\$37,226	\$0	\$0	\$37,226	\$0	\$37,226
93100 Water	\$54,335	\$11		\$54,346	\$0	\$54,346
93200 Electricity	\$133,608	\$104		\$133,712	\$0	\$133,712
93300 Gas	\$67,027	\$481		\$67,508	\$0	\$67,508
93600 Sewer	\$87,153	\$12		\$87,165	\$0	\$87,165
93000 Total Utilities	\$342,123	\$608	\$0	\$342,731	\$0	\$342,731
94100 Ordinary Maintenance and Operations - Labor	\$143,130	\$10,471	\$1,560	\$155,161	\$0	\$155,161
94200 Ordinary Maintenance and Operations - Materials and Other	\$61,886	\$67		\$61,953	\$0	\$61,953
94300 Ordinary Maintenance and Operations Contracts	\$56,098	\$540		\$56,638	\$0	\$56,638
94500 Employee Benefit Contributions - Ordinary Maintenance	\$26,628	\$2,564	\$47	\$29,239	\$0	\$29,239
94000 Total Maintenance	\$287,742	\$13,642	\$1,607	\$302,991	\$0	\$302,991

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2018

	Project Total	14.228 Community Development Block Grants/State's Program	1 Business Activities	Subtotal	ELIM	Total
96110 Property Insurance	\$20,446	\$901		\$21,347	\$0	\$21,347
96120 Liability Insurance	\$14,195	\$928	\$233	\$15,356	\$0	\$15,356
96130 Workmen's Compensation	\$5,749	\$315	\$122	\$6,186	\$0	\$6,186
96140 All Other Insurance	\$4,224	\$171	\$5	\$4,400	\$0	\$4,400
96100 Total insurance Premiums	\$44,614	\$2,315	\$360	\$47,289	\$0	\$47,289
96200 Other General Expenses	\$1,578			\$1,578	\$0	\$1,578
96210 Compensated Absences	\$5,785	\$696	\$100	\$6,581	\$0	\$6,581
96300 Payments in Lieu of Taxes	\$17,246	\$3,485		\$20,731	\$0	\$20,731
96400 Bad debt - Tenant Rents	\$7,173	\$23		\$7,196	\$0	\$7,196
96000 Total Other General Expenses	\$31,782	\$4,204	\$100	\$36,086	\$0	\$36,086
96900 Total Operating Expenses	\$1,040,610	\$28,728	\$7,859	\$1,077,197	\$0	\$1,077,197
97000 Excess of Operating Revenue over Operating Expenses	\$88,628	\$7,151	\$6,959	\$102,738	\$0	\$102,738
97400 Depreciation Expense	\$147,876	\$21,137		\$169,013	\$0	\$169,013
90000 Total Expenses	\$1,188,486	\$49,865	\$7,859	\$1,246,210	\$0	\$1,246,210
10010 Operating Transfer In	\$100,763			\$100,763	-\$100,763	\$0
10020 Operating transfer Out	-\$100,763			-\$100,763	\$100,763	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$59,248	-\$13,986	\$6,959	-\$66,275	\$0	-\$66,275
11030 Beginning Equity	\$1,724,525	\$719,355	\$18,588	\$2,462,468	\$0	\$2,462,468
11190 Unit Months Available	2280	84		2364	0	2364
11210 Number of Unit Months Leased	2262	82		2344	0	2344
11270 Excess Cash	\$678,192			\$678,192		\$678,192

**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, 2018, 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 6, 2019.

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 6, 2019

HOUSING AUTHORITY OF THE CITY OF WASHINGTON
Washington, Indiana

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES
December 31, 2018

The current audit report for the year ended December 31, 2018 disclosed no audit finding.