



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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June 4, 2014

Board of Directors
Vincennes Housing Authority
501 Hart Street
Vincennes, IN 47591

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period July 1, 2007 to June 30, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Vincennes Housing Authority, as of June 30, 2008 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountant's report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

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

TWELVE MONTHS ENDED JUNE 30, 2008

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

TABLE OF CONTENTS

Auditor's Report 1

Management's Discussion and Analysis 3

FINANCIAL STATEMENTS

Statement of Net Assets At June 30, 2008 10

Statement of Revenue, Expenditures and Changes in Net Assets - Proprietary Funds
Twelve Months Ended June 30, 2008 11

Statement of Cash Flows - Twelve Months Ended June 30, 2008 12

Notes to Financial Statements 14

SUPPLEMENTAL DATA

Schedule of Expenditure of Federal Awards 24

PHA's Statement and Certification of Actual Modernization Cost -
Phase IN36P002501-06 25

Auditor's Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards 26

Auditor's Report on Compliance With Requirements Applicable to Each Major
Program and Internal Control Over Compliance in Accordance With
OMB Circular A-133 28

Schedule of Findings and Questioned Costs - Summary 30

Status of Prior Audit Findings 31

Current Findings, Recommendations and Replies 32

Schedule of Adjusting Journal Entries 33

Financial Data Schedule - REAC Electronic Submission 34

PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

Board of Directors
Vincennes Housing Authority
Vincennes, Indiana

I have audited the accompanying financial statements of Vincennes Housing Authority, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Vincennes Housing Authority, as of June 30, 2008 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 26, 2008, on my consideration of the Vincennes Housing Authority's internal control over financial reporting and 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements of the Vincennes Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Vincennes Housing Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Vincennes Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.



Decatur, Illinois
November 26, 2008

Certified Public Accountant

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

3

As management of the Vincennes Housing Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Vincennes Housing Authority, 501 Hart Street, Vincennes, Indiana, (812) 882-5494.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$10,929,716 (net assets).

The Authority's cash balance at June 30, 2008, was \$1,773,837 representing an increase of \$839,021 from June 30, 2007 balance of \$934,816.

The Authority had operating revenues of \$726,657, Department of Housing and Urban Development (HUD) grants of \$2,744,972, capital grants of \$431,433, investment income of \$39,989 and other revenues of \$15,372 for the year ended June 30, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Assets – reports the Authority's current financial resources with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Fund Net Assets – reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities.

FUTURE EVENTS (NEW BUSINESS)

There are no future events planned by the Authority during the fiscal year ended June 30, 2009 that will significantly affect the Authority's Net Assets either positively or negatively.

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Assets (Statement of Net Assets)

Total Current Assets for FYE 2008 were \$1,890,695, and at FYE 2007, the amount was \$1,137,706. This represents an increase of \$752,989, mostly due to an increase in cash in Low Rent related to net income.

Total Capital Assets decreased by \$31,683. At FYE 2008 and FYE 2007, the amounts were \$9,449,155 and \$9,480,838, respectively. This decrease was due to fewer repairs to building and increased depreciation.

Total Liabilities increased by \$190,431 due to an increase in deferred revenues.

Revenues increased by \$171,974 from FYE June 30, 2007. At FYE 2008 and FYE 2007, total revenues were \$3,958,423 and \$3,786,449, respectively.

Total Expenses decreased by \$18,361 which is mostly due to a decrease in Housing assistance payments.

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	1,773,837	934,816	839,021	90%
Other Current Assets	116,858	202,890	(86,032)	-42%
Capital Assets	9,449,155	9,480,838	(31,683)	0%
Total Assets	11,339,850	10,618,544	721,306	7%
Current Liabilities	324,364	128,438	195,926	153%
Long Term Liabilities	85,770	91,265	(5,495)	-6%
Total Liabilities	410,134	219,703	190,431	87%
Net Invested in Capital Assets	9,449,155	9,480,838	(31,683)	0%
Restricted Net Assets	527,757	0	527,757	100%
Unrestricted Net Assets	952,804	918,003	34,801	4%
Total Net Assets	10,929,716	10,398,841	530,875	5%

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Analysis of Entity Wide Revenues (Statement of Activities)

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2008 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$1,497,074
Section 8 Vouchers	\$1,844,111
Capital Funds Program	\$603,345
Business Activities	\$13,592
State and Local	\$301

Revenue increases related to more HUD PHA operating grants, more interest earned due to higher interest rates on larger amounts invested and no losses on asset disposals.

Total revenues for Fiscal Year Ending June 30, 2008 were \$3,958,423 as compared to the total revenues for Fiscal Year Ending June 30, 2007 of \$3,786,449. Comparatively, Fiscal Year Ending 2008 revenues exceeded Fiscal Year Ending 2007 revenues by \$171,974.

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>	<u>Percent Variances</u>
Total Tenant Revenue	726,657	681,125	45,532	7%
HUD Operating Grants	2,744,972	2,333,296	411,676	18%
HUD Capital Grants	431,433	728,650	(297,217)	-41%
Investment Income	39,989	28,987	11,002	38%
Other Revenue	15,372	14,391	981	7%
Total Revenue	<u>3,958,423</u>	<u>3,786,449</u>	<u>171,974</u>	<u>5%</u>

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending June 30, 2008 were \$3,428,617 as compared to \$3,446,978 of total expenditures for Fiscal Year Ending June 30, 2007. Comparatively, Fiscal Year Ending 2008 expenditures were lower than Fiscal Year Ending 2007 expenditures by \$18,361. Changes by major expense category will be presented below.

Administrative expenditures decreased by \$19,777 or 4%. There was a decrease in admin salaries.

Utilities increased by \$8,262 or 2% due to normal fluctuations in usage and costs.

Maintenance expenditures increased by \$53,834 or 11% due to an increase in employee benefits.

Extraordinary Maintenance increased by \$5,003 or 93%.

Housing Assistance Payments decreased by \$46,270 or 3% due to a decrease in HUD funding and the related number of units that could be funded.

The table below illustrates our analysis:

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>	<u>Percent Variances</u>
Administrative	530,432	550,209	(19,777)	-4%
Tenant Services	220	0	220	100%
Utilities	413,595	405,333	8,262	2%
Maintenance	544,155	490,321	53,834	11%
Protective Services	975	0	975	100%
General Expense	138,020	159,602	(21,582)	-14%
Extraordinary Maintenance	10,356	5,353	5,003	94%
Casualty Gains (not capitalized)	0	4,675	(4,675)	-100%
Housing Assistance Payments	1,282,099	1,328,369	(46,270)	-4%
Depreciation Expense	508,765	503,116	5,649	1%
Total Expenses	<u>\$3,428,617</u>	<u>\$3,446,978</u>	<u>(18,361)</u>	<u>-1%</u>

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

7

Budgetary Analysis

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public housing is adopted on the basis of accounting prescribed by the Housing and Urban Development, which differs in some respects from generally accepted accounting principles. Program budgets for the Section 8 Programs are approved by the U.S. Department of Housing and Urban Development.

The Authority prepares a budget for each fiscal year of Capital Fund Grant Program that is approved. The Authority is permitted four years to expended these funds. Income is only recognized as funds are expended. For the purposes of this analysis, the amount budget is equal to the actual expense.

Low Income Public Housing Budgetary Highlights

Results of Operations - Management prepared a budget that anticipated net income of \$164,807. Actual results of operation reflected income of \$158,636, which does not include depreciation expense of \$490,924 and operating transfer of \$145,578.

Operating Receipts were under budget by \$20,808.

Administrative Expenses were over budget by \$2,007.

General Expenses were under budget by \$247,101.

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

The following table summarizes the significant budget variances outlined above:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent Variances</u>
Tenant Revenue	603,553	726,657	123,104	20%
HUD Operating Grants	911,070	741,059	(170,011)	-19%
Investment Income	3,259	27,542	24,283	745%
Other Revenue	0	1,816	1,816	0%
Total Revenue	<u>1,517,882</u>	<u>1,497,074</u>	<u>(20,808)</u>	<u>-1%</u>
Administrative	230,402	232,409	2,007	1%
Tenant Services	2,000	220	(1,780)	-89%
Utilities	336,824	413,595	76,771	23%
Maintenance	361,128	542,863	181,735	50%
Protective Services	1,200	975	(225)	-19%
General Expense	385,121	138,020	(247,101)	-64%
Extraordinary Maintenance	10,000	10,356	356	4%
Capital expenditures	26,400	0	(26,400)	100%
Depreciation Expenses	0	490,924	490,924	0%
Total Expenses	<u>1,353,075</u>	<u>1,829,362</u>	<u>476,287</u>	<u>35%</u>
Net Income (Loss)	<u>164,807</u>	<u>(332,288)</u>	<u>(497,095)</u>	<u>-302%</u>

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

ANALYSIS OF CAPITAL ASSET ACTIVITY

As of June 30, 2008, the Authority's investment in capital assets was \$9,449,155 (net of accumulated depreciation). The investment includes land, buildings, equipment, and leasehold improvements. Capital outlays for the year were \$476,013 consisting of the following purchases:

- Architect fees \$26,158
- Various building improvements (new roofs & doors) \$317,568
- Mower \$6,715
- Video/Security \$8,285
- Vehicles \$25,325
- Playground \$39,628
- Stoves \$8,539
- Refrigerators \$10,320
- Washers \$14,731
- Dryers \$9,090
- Various other small equipment \$9,654

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>	<u>Percent Variance</u>
Land	343,955	343,955	0	0%
Buildings	17,222,551	16,878,825	343,726	2%
Furniture, Equipment, & Machinery - Dwelling	0	0	0	0%
Furniture, Equipment, & Machinery - Admin	1,192,658	1,060,371	132,287	13%
Leasehold Improvements	1,879,573	1,879,573	0	0%
Total Fixed Assets	<u>20,638,737</u>	<u>20,162,724</u>	<u>476,013</u>	<u>2%</u>
Accumulated Depreciation	11,189,582	10,681,886	507,696	5%
Net Fixed Assets	<u>9,449,155</u>	<u>9,480,838</u>	<u>(31,683)</u>	<u>0%</u>

Debt Activity

The Housing Authority had no outstanding debt in 2008 or 2007.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF JUNE 30, 2008**

ASSETS

CURRENT ASSETS

Cash	\$ 1,160,310
Account receivable (interfund eliminated)	15,118
Inventory (net)	43,051
Deferred charges	<u>58,689</u>

Total Current Assets \$ 1,277,168

RESTRICTED ASSETS

Cash	<u>\$ 613,527</u>
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Total Restricted Assets \$ 613,527

CAPITAL ASSETS

Land, buildings and equipment	\$ 20,638,737
Less: Accumulated depreciation	<u>-11,189,582</u>

Net Capital Assets \$ 9,449,155

Total Assets \$ 11,339,850

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 94,573
Accrued liabilities	55,344
Deferred revenue	<u>174,447</u>

Total Current Liabilities \$ 324,364

NONCURRENT LIABILITIES

Trust and deposit liabilities	<u>\$ 85,770</u>
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Total Noncurrent Liabilities \$ 85,770

NET ASSETS

Invested in capital assets	\$ 9,449,155
Restricted	527,757
Unrestricted	<u>952,804</u>

Total Net Assets \$ 10,929,716

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED JUNE 30, 2008**

Operating Income

Tenant rental revenue	\$ 667,655
Excess utilities	<u>59,002</u>
Total Tenant Revenue	\$ 726,657
HUD grants - operating	2,744,972
Other revenue	<u>15,372</u>
Total Operating Income	<u>\$ 3,487,001</u>

Operating Expenses

Administration	\$ 530,432
Tenant services	220
Utilities	413,595
Ordinary maintenance and operation	544,155
Protective services	975
General expense	138,020
Extraordinary maintenance	10,356
Housing assistance payments	1,282,099
Depreciation	<u>508,765</u>
Total Operating Expenses	<u>\$ 3,428,617</u>
Net Operating Income (Loss)	\$ 58,384

Nonoperating Income (Expense)

Interest income	39,989
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Capital Contributions

Capital funds grant	<u>431,433</u>
Changes in net assets	\$ 529,806
Net assets, beginning of year	10,398,841
Prior period adjustments	<u>1,069</u>
Net assets, end of year	<u><u>\$ 10,929,716</u></u>

The notes to financial statements are an integral part of this statement.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2008**

Operating Activities

Operating grants	\$ 2,740,887
Tenant revenue	719,057
Other revenue	15,372
Housing assistance payments	-1,282,099
Payments to employees	-577,251
Payments to suppliers and contractors	<u>-890,804</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 725,162</u>

Investing Activities

Investments (purchased) redeemed	\$ 119,519
Interest income	<u>39,989</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 159,508</u>

Capital and Related Financing Activities

Capital funds grants	\$ 431,433
Additions (deletions) to fixed assets	<u>-477,082</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -45,649</u>

Net Change in Cash	\$ 839,021
Cash Balance at June 30, 2007	<u>934,816</u>
Cash Balance at June 30, 2008	<u>\$ 1,773,837</u>

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2008**

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

Net operating income (loss)	\$ 58,384
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	508,765
Adjustments to net assets	1,069
(Increase) decrease in accounts receivable	-26,923
(Increase) decrease in deferred charges	2,701
(Increase) decrease in inventory	-24,421
Increase (decrease) in accounts payable	29,081
Increase (decrease) in accrued liabilities	10,854
Increase (decrease) in deferred revenues	171,147
Increase (decrease) in other liabilities	<u>-5,495</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 725,162</u>

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Vincennes was established by the City of Vincennes pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Vincennes and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of Vincennes is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- * Low Rent Public Housing
- * Section 8 Choice Vouchers
- * New Construction/Substantial Rehabilitation
- * State and Local
- * Capital Fund Program
- * Business Activities

These programs are all accounted for within the 'Proprietary' (enterprise) fund as described below:

Proprietary Fund Types:

Proprietary funds use the economic resources measurement focus and utilize the accrual basis of accounting. All assets and liabilities associated with a proprietary fund's activities are included on the fund statement. Proprietary fund equity is segregated into Invested in Capital Assets Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets.

(d) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of 1 month or less when purchased to be cash equivalents.

(e) Interprogram Receivables and Payables

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

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at June 30, 2008, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(g) Inventories and Materials -

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

(h) Investments -

Investments are stated at cost which approximates market.

(i) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Buildings	40 years
Equipment	5 - 7 years
Leasehold improvements	15 years

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Income Tax -

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

(k) Annual Contributions/Subsidies and Other Grants

Annual contributions and subsidies received from the Department of HUD are recorded as grant revenues.

Other grants (such as CFP grants) are recognized when program expenditures are incurred. Such revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

(l) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted to the Board for approval.

(m) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

All cash and investments are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

Custodial Credit Risk

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

Credit Risk Investments, Concentration of Credit Risk and Interest Rate Risks - Investments

Credit Risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

Concentrations of Credit Risk is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

Investment Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 - Deposits which are not collateralized or insured.

Based on the three levels of risk, all of the Housing Authority's funds are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 1,050,822	\$ 1,101,723
Voucher	630,643	632,356
State and Local	81,737	91,230
SRO	2,738	2,738
Business Activities	<u>7,897</u>	<u>7,997</u>
Total	<u>\$ 1,773,837</u>	<u>\$ 1,836,044</u>

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)**

Note 3 - Compensated Absences

Permanent full-time employees will be given nine (9) sick days per fiscal year and four (4) personal days. Sick days can accumulate to sixty (60). Employees may not accumulate more than sixty (60) days in sick leave, or receive compensation for accumulated sick leave. An employee's vacation benefit depends on length of service to the Vincennes Housing Authority. After the first twelve continuous calendar months of work, a Vincennes Housing Authority employee is entitled to ten work days vacation. An employee is eligible to twelve work days vacation after two continuous calendar years of employment. One vacation day for each additional year worked. Vacation benefits may not exceed twenty work days per year. Only permanent full-time employees are eligible for vacation. Once a permanent full-time employee has earned vacation, the employee must use all vacation earned during the vacation eligibility year. Vacation eligibility year is the year following the year which vacation is earned. No employee will accrue vacation time. Upon termination of employment, an employee shall be compensated for the unused portion of the earned vacation which the employee is eligible to use and earned vacation in the year of termination which has not been used. Compensation for unused vacation earned during the year of termination will be on a pro rata basis.

Note 4 - Defined Contribution Plan

The PHA participates in the Indiana Public Employee Retirement Fund (PERF). The Housing Authority is required to contribute 3.50% of annual covered payroll. The actual contributions by the Housing Authority to PERF were \$25,901 and \$13,222 was contributed by the employees for the current fiscal year.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 11,033
Accounts receivable - HUD	<u>4,085</u>
Subtotal	\$ 15,118
Interfund	<u>15,156</u>
Total	<u><u>\$ 30,274</u></u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u><u>\$ 58,689</u></u>
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**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)**

Note 7 - Fixed Assets

Balance as of June 30, 2008	\$ 9,449,155
Balance as of June 30, 2007	<u>9,480,838</u>
Net Increase (Decrease)	<u>\$ -31,683</u>

Reconciliation

Additions	\$ 476,013
Adjustment to accumulated depreciation	1,069
Current year depreciation expense	<u>-508,765</u> *
Net Increase (Decrease)	<u>\$ -31,683</u>

<u>Analysis</u>	<u>07/01/2007 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>06/30/2008 Balance</u>
Land	\$ 343,955	\$ 0	\$ 0	\$ 343,955
Buildings	16,878,825	343,726	0	17,222,551
Equipment and furniture	1,060,371	132,287	0	1,192,658
Leasehold improvements	<u>1,879,573</u>	<u>0</u>	<u>0</u>	<u>1,879,573</u>
Total Assets	\$ 20,162,724	\$ 476,013	\$ 0	\$ 20,638,737
Accumulated depreciation	<u>-10,681,886</u>	<u>1,069</u>	<u>508,765*</u>	<u>-11,189,582</u>
Total	<u>\$ 9,480,838</u>	<u>\$ 477,082</u>	<u>\$ 508,765</u>	<u>\$ 9,449,155</u>

* Current year depreciation recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 35,547
Tenants security deposits	31,245
Payroll withholding payable	<u>27,781</u>
Subtotal	\$ 94,573
Interfund	<u>15,156</u>
Total	<u>\$ 109,729</u>

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)**

Note 9 - Notes Payable

On August 4, 1987, the U.S. Department of Housing and Urban Development (HUD) issued notice PIH 87-212 to implement the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (PL 99-272, enacted April 7, 1986). This notice states, in part, the following:

Project debt to HUD (HUD-held notes) will be forgiven after a debt forgiveness amendment to the consolidated Annual Contributions Contract has been executed by HUD and the Public Housing Authority and after the Actual Development Cost Certificate has been included in an audit and approved.

As a part of the HUD mandated GAAP conversion and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

Note 10 - Trust and Deposit Liabilities

This classification consists of the following accounts:

FSS Escrow	<u>\$ 85,770</u>
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Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued wages	\$ 6,753
Accrued compensated absences	24,932
Payment in lieu of taxes	<u>23,659</u>
Total	<u>\$ 55,344</u>

Note 12 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ 4,435
Other	<u>170,012</u>
Total	<u>\$ 174,447</u>

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)**

Note 13 - Allocation of Costs

The PHA allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program. Management considers this to be an equitable method of allocation.

Note 14 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 15 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Adjustment to accumulated depreciation	<u>\$ 1,069</u>
--	-----------------

Note 16 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

For insured programs there has been no significant reduction in insurance coverage. Settled claims have not exceeded insurance coverage or the risk pool coverage in the current or past three years.

Note 17 - Economic Dependency

The Housing Authority received most of its revenue (80%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2008**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing *	14.850a	C-2008	FYE 06/30/08	\$ 741,059	\$ 741,059	\$ 741,059
Housing Choice Vouchers*	14.871	C-2064	FYE 06/30/08	\$ 1,832,001	\$ 1,832,001	\$ 1,832,001
Public and Indian - Capital Funds *	14.872	C-2008	FYE 06/30/08	\$ 1,065,012	\$ 603,345	\$ 603,345
Total Housing Assistance				<u>\$ 3,638,072</u>	<u>\$ 3,176,405</u>	<u>\$ 3,176,405</u>

*Denotes major program

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED JUNE 30, 2008**

Note 1: Expenditures to the Housing Choice Voucher Program are reported as equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**PHA'S STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PROJECT IN36P002501-06**

1. The Actual Modernization Costs of Project IN36P002501-06 are as follows:

Funds approved	\$ 556,476
Funds expended	<u>556,476</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	\$ 556,476
Funds expended	<u>556,476</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost dated June 27, 2008, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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
Vincennes Housing Authority
Vincennes, Indiana

I have audited the financial statements of the governmental activities of Vincennes Housing Authority as of and for the year ended June 30, 2008, which collectively comprise the Vincennes Housing Authority's basic financial statements and have issued my report thereon dated November 26, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Vincennes Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Vincennes Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Vincennes Housing Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employee, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Vincennes Housing Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Vincennes Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Vincennes Housing Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Vincennes Housing Authority's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. This report is intended solely for the information of management, the Board of Commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vincennes Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulation, 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 an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that we reported to management of Vincennes Housing Authority, in a separate letter dated November 26, 2008.

This reported in intended solely for the information of management, the Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant

Decatur, Illinois
November 26, 2008

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners
Vincennes Housing Authority
Vincennes, Indiana

Compliance

I have audited the compliance of Vincennes Housing Authority with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Vincennes Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Vincennes Housing Authority's management. My responsibility is to express an opinion on Vincennes Housing Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vincennes Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Vincennes Housing Authority's compliance with those requirements.

In my opinion, Vincennes Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of Vincennes Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Vincennes Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Vincennes Housing Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Vincennes Housing Authority in a separate letter dated November 26, 2008.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant

Decatur, Illinois
November 26, 2008

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended June 30, 2007 contained no findings.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED JUNE 30, 2008**

Section I - Summary of Auditor's Results

Low Risk Auditee X_____ yes _____ no

Financial Statements

Type of auditor's report: Unqualified

- * Material weakness(es) identified? _____ yes X_____ no
- * Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes X_____ none reported

Noncompliance material to financial statements noted _____ yes X_____ no

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? _____ yes X_____ no
- * Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes X_____ none reported

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

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

Major Programs: (Threshold \$300,000) CFDA Number(s)

Public and Indian Housing	14.850a
Housing Choice Voucher Program	14.871
Capital Funds Program	14.872

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no financial statement audit findings were discussed with Allen Clark, Executive Director, Linda Frederick, Deputy Director and Carol Johnson, Bookkeeper, during the course of the audit or at an exit conference held November 21, 2008.

Section III - Federal Award Findings

There were no federal award audit findings were discussed with Allen Clark, Executive Director, Linda Frederick, Deputy Director and Carol Johnson, Bookkeeper, during the course of the audit or at an exit conference held November 21, 2008.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2008**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Admin salaries	4110	\$ 5,000.00		2806
Sundry	4190.3	11,454.00		2806
Maintenance labor	4410	5,000.00		2806
Maintenance supplies	4420	10,000.00		2806
Insurance	4510	49,124.27		2806
Insurance - employees	4540.4	65,000.00		2806
Operating transfers in	----		\$ 145,578.27	2806
(To record operating transfer on books)				
(2)				
Telephone	4162	\$ 1,073.70		2806
Water	4310	6,391.73		2806
Electricity	4320	14,066.16		2806
Gas	4330	3,075.73		2806
Materials expense	4420	6,824.87		2806
Vendors and contractors	2111		\$ 31,432.19	2111
(To set up June payables paid in July)				
(3)				
HUD contract - PFS	8020	\$ 170,011.50		2806
Deferred revenues	2200		\$ 170,011.50	2806
(To record transfer of operations from Capital Funds to Low Rent)				
(4)				
Sundry - other	4190	\$ 1,069.00		2806
Undesignated fund balance	2806		\$ 1,069.00	2806
(To reclass adjustment made to accumulated depreciation)				
<u>Voucher</u>				
(1)				
Accounts receivable - HUD	1125	\$ 4,085.00		1125
Admin subsidy	8026		\$ 4,085.00	2840
(To record 1 st and 2 nd quarter HUD receivable per notices)				
<u>Capital Funds</u>				
(1)				
Operations transfer out	----	\$ 145,578.27		2806
Soft costs	4590		\$ 145,578.27	2806
(To record operations transfer on books)				

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Board of Commissioners
Vincennes Housing Authority
Vincennes, Indiana

In planning and performing my audit of the financial statements of Vincennes Housing Authority as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vincennes Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Vincennes Housing Authority's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

1. Management needs to review their procedures in anticipating income for the calculation of rent and housing assistance payments and the related quality control reviews of those files. In a review of twenty four Section 8 participant files and eleven public housing files, several immaterial discrepancies were noted in the calculation of anticipated income. In some of these instances, the discrepancy related to inconsistent methods of anticipating income in different files. In other files immaterial math errors were noted.

Management should review the proper methods of anticipating income with all housing intake staff. Additionally it is suggested that management increase the number of quality assurance reviews that are completed on all files.

This communication is intended solely for the information and used of management, the Board of Commissioners, and others within the housing authority, and is not intended to be and should not be used by anyone other than these specified parties. Please feel free to contact me if you have any questions.



Decatur, Illinois
November 26, 2008

Certified Public Accountant