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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, 2009 to June 30, 2010. 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, 2010 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**

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

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**TWELVE MONTHS ENDED JUNE 30, 2010**

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

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## Independent Auditor's Report

Board of Commissioners  
Vincennes Housing Authority  
Vincennes, Indiana

I have audited the accompanying financial statements of the Vincennes Housing Authority, as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of the Vincennes Housing Authority's management. 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Vincennes Housing Authority, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended 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 January 28, 2011 on my consideration of the Vincennes Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements with 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* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 through 7 are not a required part of the basic financial statements but are 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 required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of. 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 also not a required part of the basic 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. The schedule of federal expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all materials respects in relation to the basic financial statements taken as a whole.

Decatur, Illinois  
January 28, 2011

Certified Public Accountant

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF JUNE 30, 2010**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 1,350,018
Account receivable (interfund eliminated)	21,326
Inventory (net)	51,196
Deferred charges	<u>65,733</u>

Total Current Assets \$ 1,488,273

**RESTRICTED ASSETS**

Cash	<u>\$ 706,002</u>
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Total Restricted Assets \$ 706,002

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 22,023,251
Less: Accumulated depreciation	<u>-12,282,267</u>

Net Capital Assets \$ 9,740,984

Total Assets \$ 11,935,259

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable (interfund eliminated)	\$ 66,665
Accrued liabilities	107,302
Deferred revenue	<u>6,914</u>

Total Current Liabilities \$ 180,881

**NONCURRENT LIABILITIES**

Trust and deposit liabilities	<u>\$ 101,298</u>
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Total Noncurrent Liabilities \$ 101,298

**NET ASSETS**

Invested in capital assets	\$ 9,740,984
Restricted	604,704
Unrestricted	<u>1,307,392</u>

Total Net Assets \$ 11,653,080

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS  
AND CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED JUNE 30, 2010**

Operating Income

Tenant rental revenue	\$ 725,538
Excess utilities	<u>64,077</u>
Total Tenant Revenue	\$ 789,615
HUD grants - operating	2,815,984
Fraud recovery	1,849
Other revenue	<u>32,204</u>
Total Operating Income	<u>\$ 3,639,652</u>

Operating Expenses

Administration	\$ 614,940
Tenant services	428
Utilities	375,326
Ordinary maintenance and operation	681,447
Protective services	1,579
General expense	194,624
Extraordinary maintenance	7,787
Housing assistance payments	1,378,371
Depreciation	<u>563,956</u>
Total Operating Expenses	<u>\$ 3,818,458</u>
Net Operating Income (Loss)	\$ -178,806

Nonoperating Income (Expense)

Interest income	10,604
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Capital Contributions

Capital funds grant	<u>929,018</u>
Changes in net assets	\$ 760,816
Net assets, beginning of year	<u>10,892,264</u>
Net assets, end of year	<u>\$ 11,653,080</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, 2010**

Operating Activities

Operating grants	\$ 2,815,361
Tenant revenue	792,148
Other revenue	34,053
Housing assistance payments	-1,378,371
Payments to employees	-530,757
Payments to suppliers and contractors	<u>-1,314,026</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 418,408</u>

Investing Activities

Interest income	<u>\$ 10,604</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 10,604</u>

Capital and Related Financing Activities

Capital funds grants	\$ 929,018
Additions (deletions) to fixed assets	<u>-965,043</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -36,025</u>

Net Change in Cash	\$ 392,987
Cash Balance at June 30, 2009	<u>1,663,033</u>
Cash Balance at June 30, 2010	<u><u>\$ 2,056,020</u></u>

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2010**

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

Net operating income (loss)	\$ -178,806
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	563,956
(Increase) decrease in accounts receivable	-5,934
(Increase) decrease in deferred charges	-6,730
(Increase) decrease in inventory	7,330
Increase (decrease) in accounts payable	29,784
Increase (decrease) in accrued liabilities	-18,812
Increase (decrease) in deferred revenues	3,897
Increase (decrease) in other liabilities	<u>23,723</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 418,408</u>

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2010**

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 Mayor, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the 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, 2010  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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

(d) Funds -

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

- \* Low Rent Public Housing
- \* Section 8 Choice Vouchers
- \* State and Local
- \* Capital Fund Program
- \* Business Activities
- \* Formula Capital Fund Stimulus Grant

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 practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (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, 2010  
(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, 2010, 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, 2010  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(k) Income Tax -

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

(l) 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.

- (m) 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.
- (n) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (p) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disables residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA

NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2010  
(CONTINUED)

Note 1 - Summary of Significant Accounting Policies

- (q) Rental income is recognized as rents become due.
- (r) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

Note 2 - Cash and Investments

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

All cash and investments are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

*Custodial Credit Risk*

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

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

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

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

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

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2010  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 1,242,518	\$ 1,274,019
Voucher	714,159	715,759
State and Local	91,144	91,144
Business Activities	<u>8,199</u>	<u>8,199</u>
Total	<u>\$ 2,056,020</u>	<u>\$ 2,089,121</u>

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 \$32,384 and \$18,676 was contributed by the employees for the current fiscal year. Total annual payroll expense was \$508,049.

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2010  
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 9,680
Fraud recovery	7,549
Accounts receivable - HUD	<u>4,097</u>
Subtotal	\$ 21,326
Interfund	<u>15,156</u>
Total	<u>\$ 36,482</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 65,733</u>
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Note 7 - Fixed Assets

Balance as of June 30, 2010	\$ 9,740,984
Balance as of June 30, 2009	<u>9,339,897</u>
Net Increase (Decrease)	<u>\$ 401,087</u>

Reconciliation

Additions	\$ 965,043
Current year depreciation expense	<u>-563,956</u> *
Net Increase (Decrease)	<u>\$ 401,087</u>

Analysis

	07/01/2009 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	06/30/2010 <u>Balance</u>
Land	\$ 343,955	\$ 0	\$ 0	\$ 343,955
Buildings	17,337,920	0	0	17,337,920
Equipment and furniture	1,358,925	88,932	0	1,447,857
Leasehold improvements	<u>2,017,408</u>	<u>876,111</u>	<u>0</u>	<u>2,893,519</u>
Total Assets	\$ 21,058,208	\$ 965,043	\$ 0	\$ 22,023,251
Accumulated depreciation	<u>-11,718,311</u>	<u>0</u>	<u>563,956</u> *	<u>-12,282,267</u>
Total	<u>\$ 9,339,897</u>	<u>\$ 965,043</u>	<u>\$ 563,956</u>	<u>\$ 9,740,984</u>

\* Current year depreciation recognized.

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2010  
(CONTINUED)**

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 30,688
Tenants security deposits	<u>35,977</u>
Subtotal	\$ 66,665
Interfund	<u>15,156</u>
Total	<u><u>\$ 81,821</u></u>

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><u>\$ 101,298</u></u>
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Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

<u>Current Portion:</u>	
Accrued wages/payroll taxes	\$ 37,986
Accrued compensated absences	25,303
Payment in lieu of taxes	<u>44,013</u>
Total	<u><u>\$ 107,302</u></u>

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of June 30, 2010:

	07/01/2009 <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	06/30/2010 <u>Balance</u>
FSS escrow	<u>\$ 78,025</u>	<u>\$ 23,273</u>	<u>\$ 0</u>	<u>\$ 101,298</u>

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2010  
(CONTINUED)**

Note 13 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 6,914</u>
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Note 14 - 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 15 - 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 16 - Contracts/Commitments

As of June 30, 2010, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-08	\$ 568,715	\$ 557,451
CFP 501-09	561,267	68,143
Stimulus Grant 501-09	<u>719,880</u>	<u>719,880</u>
Total	<u>\$ 1,849,862</u>	<u>\$ 1,345,474</u>

Note 17 - 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 18 - Economic Dependency

The Housing Authority received most of its revenue (81%) 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, 2010**

<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-2010	FYE 06/30/10	\$ 948,510	\$ 948,510	\$ 948,510
Housing Choice Vouchers*	14.871	C-2064	FYE 06/30/10	\$ 1,736,186	\$ 1,736,186	\$ 1,642,430
Public and Indian - Capital Funds *	14.872	C-2010	FYE 06/30/10	\$ 1,129,982	\$ 340,426	\$ 340,426
Formula Capital Fund Stimulus Grant*	14.885	C-2010	FYE 06/30/10	\$ 719,880	\$ 719,880	\$ 719,880
Total Housing Assistance				<u>\$ 4,534,558</u>	<u>\$ 3,745,002</u>	<u>\$ 3,651,246</u>

\*Denotes major program

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**PHA'S STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PROJECT IN36S002501-09**

1. The Actual Modernization Costs of Project IN36S002501-09 are as follows:

Funds approved	\$ 719,880
Funds expended	<u>719,880</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	\$ 719,880
Funds expended	<u>719,880</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 28, 2010, 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.



**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 Vincennes Housing Authority as of and for the year ended June 30, 2010, and have issued my report thereon dated January 28, 2011. 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 Vincennes Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Vincennes Housing Authority's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

**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, 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*.

I noted certain matters that I reported to management of Vincennes Housing Authority in a separate letter dated January 28, 2011.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois  
January 28, 2011

Certified Public Accountant



**Report on Compliance With Requirements That Could Have a Direct and Material Effect  
on 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 Vincennes Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Vincennes Housing Authority's major federal programs for the year ended June 30, 2010. 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. 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 requirement 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

## Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Vincennes Housing Authority's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, Housing and Urban Development, 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.

Decatur, Illinois  
January 28, 2010

Certified Public Accountant

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended June 30, 2009 contained no findings.

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED JUNE 30, 2010**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report: Unqualified

\* Material weakness(es) identified? \_\_\_\_\_ yes X\_\_\_\_\_ no

\* Significant deficiency (ies) identified? \_\_\_\_\_ 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? \_\_\_\_\_ 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 OMB Circular A-133? \_\_\_\_\_ yes X\_\_\_\_\_ no

**Identification of major programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.850a	Public and Indian Housing
14.871	Housing Choice Voucher Program
14.872	Public Housing - Capital Funds
14.885	Formula Capital Fund Stimulus Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X\_\_\_\_\_ yes \_\_\_\_\_ no

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**CURRENT FINDINGS AND RECOMMENDATIONS**

**Section II - Financial Statement Audit Findings**

There were no financial statement audit findings discussed with Linda Frederick, Executive Director and Carol Johnson, Accountant, during the course of the audit or at an exit conference held January 28, 2011.

**Section III - Federal Award Audit Findings**

There were no federal award audit findings discussed with Linda Frederick, Executive Director and Carol Johnson, Accountant, during the course of the audit or at an exit conference held January 28, 2011.

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
JUNE 30, 2010**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Staff training	4140	\$ 53,798.96		2810
Soft cost - CGP	4590		\$ 53,798.96	2810
(To reverse posting of CFP subsidy expensed to operations)				
(2)				
Change fund	1118	\$ 314.35		1118
Rent income	3110		\$ 314.35	2810
(To adjust account 1118 for collection or deposits)				
(3)				
Inventory	1260	\$ 2,535.45		1260
Maintenance materials	4420		\$ 2,535.45	2810
(To correct inventory per summary of inventory value reports)				
(4)				
Water	4310.10	\$ 8,312.40		2810
Electricity	4310.20	15,794.64		2810
Gas	4310.30	2,044.00		2810
Training	4140	2,524.00		2810
Vendors and contractors	2111		\$ 28,675.04	2111
(To set up vendor payables per search)				
(5)				
Sundry	4190	\$ 34,717.00		2810
Maintenance materials	4420		\$ 34,717.00	2810
(To reclassify coding of maintenance materials)				
(6)				
Compensated absences expense	----	\$ 34,689.00		2810
Admin wages	4110		\$ 2,504.55	2810
Maintenance wages	4410		32,184.45	2810
(To record amount of vacation earned as expense)				
<u>Voucher</u>				
(1)				
Accounts receivable - HUD	1125	\$ 4,097.00		1125
Annual contribution earned	8026		\$ 4,097.00	2810
(To adjust subsidy to actual per HUD ACC contract)				

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, 2010, 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. Per my review of financial statements and fraud recovery repayment agreements, the Housing Authority is not currently recording all receivables in the general ledger. When the agency discovers fraud and enters into an agreement with a participant for repayment of previously over paid assistance, the Housing Authority should record the related receivable on the financial statements.
2. Housing Authority needs to expand the general ledger accounts to provide for the accounts required with Asset Management, the new HUD recommended chart of accounts and Generally Accepted Accounting Principles (GAAP). These accounts include, but are not limited to additional insurance expense account, contract maintenance accounts and the equity accounts mandated by GAAP (restricted, unrestricted and fixed assets net of related debt).

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  
January 28, 2011

Certified Public Accountant