



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B43609

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2011 to June 30, 2012. 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, 2012 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, 2012

**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, 2012	8
Statement of Revenue, Expenses and Changes in Net Assets - Proprietary Funds Twelve Months Ended June 30, 2012	9
Statement of Cash Flows - Twelve Months Ended June 30, 2012	10
Notes to Financial Statements	12
SUPPLEMENTAL DATA	
Schedule of Expenditure of Federal Awards	22
PHA's Statement and Certification of Actual Modernization Cost - Phase IN36P002501-10	23
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	24
Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	26
Status of Prior Audit Findings	28
Schedule of Findings and Questioned Costs - Summary	29
Current Findings and Recommendations	30
Schedule of Adjusting Journal Entries	31
Financial Data Schedule - REAC Electronic Submission	32



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, 2012, 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 I 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 opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Vincennes Housing Authority, as of June 30, 2012 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.

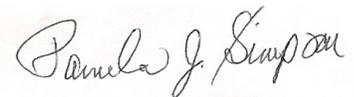
In accordance with *Government Auditing Standards*, I have also issued my report dated January 9, 2013 on my consideration of the Vincennes Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial systems. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards and the Financial Data Schedule are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on it.

Decatur, Illinois
January 9, 2013



Certified Public Accountant

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

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, 2012. 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 \$11,234,861 (net assets).

The Authority's cash balance at June 30, 2012, was \$1,346,488 representing a decrease of \$801,627 from June 30, 2011 balance of \$2,148,115.

The Authority had tenant revenues of \$843,940, Department of Housing and Urban Development (HUD) grants of \$1,849,365, capital grants of \$487,474, investment income of \$3,823 and other revenues of \$27,476 for the year ended June 30, 2012.

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, 2013 that will significantly affect the Authority's Net Assets either positively or negatively.

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Assets

Total Current Assets for FYE 2012 were \$1,464,107, and at FYE 2011, the amount was \$2,305,506. This represents a decrease of \$841,399.

Total Capital Assets decreased by \$11,115. At FYE 2012 and FYE 2011, the amounts were \$9,999,080 and \$10,010,195, respectively.

Total Liabilities decreased by \$59,037, mostly due to a decrease in accounts payable.

Revenues decreased by \$1,207,748 from FYE June 30, 2011. At FYE 2012 and FYE 2011, total revenues were \$3,212,078 and \$4,419,826, respectively. The decrease is mostly due to a decrease in HUD operating grant.

Total Expenses decreased by \$46,686 which is mostly due to a decrease in administrative expenses and general expenses.

	<u>2012</u>	<u>2011</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	1,346,488	2,148,115	(801,627)	-37.3%
Other Current Assets	117,619	157,391	(39,772)	-25.3%
Capital Assets	9,999,080	10,010,195	(11,115)	-0.1%
Total Assets	\$ 11,463,187	\$ 12,315,701	\$ (852,514)	-6.9%
Current Liabilities	192,961	209,148	(16,187)	-7.7%
Long Term Liabilities	35,365	78,215	(42,850)	-54.8%
Total Liabilities	\$ 228,326	\$ 287,363	\$ (59,037)	-20.5%
Net Invested in Capital Assets	9,999,080	10,010,195	(11,115)	-0.1%
Restricted Net Assets	351,172	790,978	(439,806)	-55.6%
Unrestricted Net Assets	884,609	1,227,165	(342,556)	-27.9%
Total Net Assets	\$ 11,234,861	\$ 12,028,338	\$ (793,477)	-6.6%

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Analysis of Entity Wide Revenues

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2012 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$1,325,731
Section 8 Vouchers	\$1,168,228
Capital Funds Program	\$691,049
Business Activities	\$14,256
State and Local	\$12,814

Revenue decreases related to less HUD PHA grants and less HAP monies received.

Total revenues for Fiscal Year Ending June 30, 2012 were \$3,212,078 as compared to the total revenues for Fiscal Year Ending June 30, 2011 of \$4,419,826. Comparatively, Fiscal Year Ending 2012 revenues were less than Fiscal Year Ending 2011 revenues by \$1,207,748.

	<u>2012</u>	<u>2011</u>	<u>Net Change</u>	<u>Percent Variances</u>
Total Tenant Revenue	843,940	821,738	22,202	3%
HUD Operating Grants	1,849,365	3,017,352	(1,167,987)	-39%
HUD Capital Grants	487,474	581,386	(93,912)	-16%
Investment Income	3,823	7,280	(3,457)	-48%
Loss on disposal of assets	0	(29,316)	29,316	-100%
Other Revenue	27,476	21,386	6,090	29%
Total Revenue	\$ 3,212,078	\$ 4,419,826	\$ (1,207,748)	-27%

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending June 30, 2012 were \$4,005,555 as compared to \$4,052,241 of total expenditures for Fiscal Year Ending June 30, 2011. Comparatively, Fiscal Year Ending 2012 expenditures were less than Fiscal Year Ending 2011 expenditures by \$46,686. Changes by major expense category will be presented below.

Administrative expenditures decreased by \$143,634 or 26%. There was an increase in salaries, but a bigger decrease in administrative-other.

Utilities decreased by \$2,544 or 1% due to normal fluctuations in usage and costs.

Maintenance expenditures increased by \$62,218.

Extraordinary Maintenance increased by \$15,468 or 22%.

Housing Assistance Payments increased by \$23,107 or 2% due to a decrease in HUD funding and the related number of units that could be funded.

The table below illustrates our analysis:

	<u>2012</u>	<u>2011</u>	<u>Net Change</u>	<u>Percent Variances</u>
Administrative	560,061	703,695	(143,634)	-26%
Tenant Services	9,472	7,579	1,893	20%
Utilities	336,770	339,314	(2,544)	-1%
Maintenance	853,930	791,712	62,218	7%
Protective Services	23,825	7,520	16,305	68%
General Expense	203,494	217,528	(14,034)	-7%
Extraordinary Maintenance	71,242	55,774	15,468	22%
Housing Assistance Payments	1,360,660	1,337,553	23,107	2%
Depreciation Expense	586,101	591,566	(5,465)	-1%
Total Expenses	<u>\$4,005,555</u>	<u>\$4,052,241</u>	<u>\$ (46,686)</u>	<u>3%</u>

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

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 on a calendar year because HUD is based on calendar year. Therefore, it is difficult to create a budgetary analysis since the Authority's budget is based on a calendar year and the audit is based on fiscal year ending June 30. The Authority is permitted four years to expend capital funds. Income is only recognized as funds are expended.

ANALYSIS OF CAPITAL ASSET ACTIVITY

As of June 30, 2012, the Authority's investment in capital assets was \$9,999,080 (net of accumulated depreciation). The investment includes land, buildings, equipment, and leasehold improvements. Capital outlays for the year were \$575,095 consisting of the following purchases:

- Architect fees \$66,613
- Building improvements (HVAC) \$340,527
- Building improvements (air handlers and boilers) \$15,879
- Building improvements (other) \$106,029
- Office computers and furniture \$5,377
- Trash compactor \$28,920
- Mower \$11,750

	<u>2012</u>	<u>2011</u>	<u>Net Change</u>	<u>Percent Variance</u>
Land	373,646	391,646	(18,000)	-4.6%
Buildings	18,402,395	17,826,251	576,144	3.2%
Furniture, Equipment, & Machinery - Dwelling	41,075	0	41,075	100.0%
Furniture, Equipment, & Machinery - Admin	1,369,633	1,404,641	(35,008)	-2.5%
Leasehold Improvements	3,057,214	3,046,440	10,774	0.4%
Total Fixed Assets	\$ 23,243,963	\$ 22,668,978	\$ 574,985	2.5%
Accumulated Depreciation	13,244,883	12,658,783	586,100	4.6%
Net Fixed Assets	\$ 9,999,080	\$ 10,010,195	\$ (11,115)	-0.1%

Debt Activity

The Housing Authority had no outstanding debt in 2012 or 2011.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF JUNE 30, 2012**

ASSETS

CURRENT ASSETS

Cash	\$ 897,029
Account receivable (interfund eliminated)	14,459
Inventory (net)	45,118
Deferred charges	<u>58,042</u>

Total Current Assets \$ 1,001,315

RESTRICTED ASSETS

Cash	<u>\$ 449,459</u>
------	-------------------

Total Restricted Assets \$ 449,459

CAPITAL ASSETS

Land, buildings and equipment	\$ 23,243,963
Less: Accumulated depreciation	<u>-13,244,883</u>

Net Capital Assets \$ 9,999,080

Total Assets \$ 11,463,187

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 38,380
Accrued liabilities	147,538
Deferred revenue	<u>7,043</u>

Total Current Liabilities \$ 192,961

NONCURRENT LIABILITIES

Trust and deposit liabilities	<u>\$ 35,365</u>
-------------------------------	------------------

Total Noncurrent Liabilities \$ 35,365

NET ASSETS

Invested in capital assets	\$ 9,999,080
Restricted	351,172
Unrestricted	<u>884,609</u>

Total Net Assets \$ 11,234,861

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED JUNE 30, 2012**

Operating Income

Tenant rental revenue	\$ 776,848
Tenant revenue - other	<u>67,092</u>
Total Tenant Revenue	\$ 843,940
HUD grants - operating	1,849,365
Other revenue	<u>27,476</u>
Total Operating Income	<u>\$ 2,720,781</u>

Operating Expenses

Administration	\$ 560,061
Tenant services	9,472
Utilities	336,770
Ordinary maintenance and operation	853,930
Protective services	23,825
General expense	190,437
Extraordinary maintenance	71,242
Casualty losses	467
Housing assistance payments	1,360,660
Depreciation	586,101
Fraud losses	<u>12,590</u>
Total Operating Expenses	<u>\$ 4,005,555</u>
Net Operating Income (Loss)	\$ -1,284,774

Nonoperating Income (Expense)

Interest income	3,823
-----------------	-------

Capital Contributions

Capital funds grant	<u>487,474</u>
Changes in net assets	\$ -793,477
Net assets, beginning of year	<u>12,028,338</u>
Net assets, end of year	<u>\$ 11,234,861</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, 2012**

Operating Activities

Operating grants	\$ 1,849,365
Tenant revenue	839,321
Other revenue (loss)	42,024
Housing assistance payments	-1,360,660
Payments to employees	-726,316
Payments to suppliers and contractors	<u>-1,361,672</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -717,938</u>

Investing Activities

Interest income	<u>\$ 3,823</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 3,823</u>

Capital and Related Financing Activities

Capital funds grants	\$ 487,474
Additions (deletions) to fixed assets	<u>-574,986</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -87,512</u>

Net Change in Cash	\$ -801,627
Cash Balance at June 30, 2011	<u>2,148,115</u>
Cash Balance at June 30, 2012	<u>\$ 1,346,488</u>

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2012**

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

Net operating income (loss)	\$ -1,284,774
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	586,101
(Increase) decrease in accounts receivable	9,929
(Increase) decrease in deferred charges	5,992
(Increase) decrease in inventory	23,851
Increase (decrease) in accounts payable	-5,185
Increase (decrease) in accrued liabilities	-14,123
Increase (decrease) in deferred revenues	3,121
Increase (decrease) in other liabilities	<u>-42,850</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -717,938</u>

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012**

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, 2012
(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
- * Housing Choice Vouchers
- * 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 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, 2012
(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, 2012, 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) 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, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(i) 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."

(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.
- (n) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled 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, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (o) Rental income is recognized as rents become due.
- (p) 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, 2012
(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	\$ 841,386	\$ 875,193
Voucher	388,839	389,190
State and Local	104,804	104,804
Business Activities	<u>11,459</u>	<u>11,662</u>
Total	<u>\$ 1,346,488</u>	<u>\$ 1,380,849</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 8.50% of annual covered payroll. The actual contributions by the Housing Authority to PERF were \$58,133 and \$21,892 was contributed by the employees for the current fiscal year. Total annual payroll expense was \$611,050.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 8,905
Fraud recovery	<u>5,554</u>
Subtotal	\$ 14,459
Interfund	<u>15,156</u>
Total	<u>\$ 29,615</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 58,042</u>
-------------------	------------------

Note 7 - Fixed Assets

Balance as of June 30, 2012	\$ 9,999,080
Balance as of June 30, 2011	<u>10,010,195</u>
Net Increase (Decrease)	<u>\$ -11,115</u>

Reconciliation

Additions	\$ 575,095
Adjustment to beginning balance	-109
Current year depreciation expense	<u>-586,101</u> *
Net Increase (Decrease)	<u>\$ -11,115</u>

Analysis

	<u>07/01/2011</u> <u>Balance</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>06/30/2012</u> <u>Balance</u>
Land	\$ 391,646	\$ 0	\$ 18,000	\$ 373,646
Buildings	17,826,251	576,144	0	18,402,395
Equipment and furniture	1,404,641	6,067	0	1,410,708
Leasehold improvements	<u>3,046,440</u>	<u>10,884</u>	<u>110</u>	<u>3,057,214</u>
Total Assets	\$ 22,668,978	\$ 593,095	\$ 18,110	\$ 23,243,963
Accumulated depreciation	<u>-12,658,783</u>	<u>-586,101</u> *	<u>-1</u>	<u>-13,244,883</u>
Total	<u>\$ 10,010,195</u>	<u>\$ 6,994</u>	<u>\$ 18,109</u>	<u>\$ 9,999,080</u>

* Current year depreciation recognized.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 1,256
Tenants security deposits	<u>37,124</u>
Subtotal	\$ 38,380
Interfund	<u>15,156</u>
Total	<u>\$ 53,536</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>\$ 35,365</u>
------------	------------------

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

<u>Current Portion:</u>	
Accrued wages/payroll taxes payable	\$ 33,810
Accrued compensated absences	27,328
Payment in lieu of taxes	51,406
Other current liabilities	18,755
Accrued liabilities - other	<u>16,239</u>
Total	<u>\$ 147,538</u>

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of June 30, 2012:

	07/01/2011 <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	06/30/2012 <u>Balance</u>
FSS escrow	<u>\$ 78,215</u>	<u>\$ 0</u>	<u>\$ 42,850</u>	<u>\$ 35,365</u>

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 13 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ <u>7,043</u>
----------------------	-----------------

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, 2012, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-11	\$ 501,754	\$ 378,602
CFP 501-12	<u>412,681</u>	<u>31,472</u>
Total	<u>\$ 914,435</u>	<u>\$ 410,074</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 (73%) 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, 2012**

<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-2012	FYE 06/30/12	\$ 478,899	\$ 478,899	\$ 478,899
Housing Choice Vouchers*	14.871	C-2064	FYE 06/30/12	\$ 1,166,891	\$ 1,166,891	\$ 1,166,891
Public Housing Capital Funds*	14.872	C-2012	FYE 06/30/12	\$ 1,471,369	\$ 691,049	\$ 691,049
Total Housing Assistance				<u>\$ 3,117,159</u>	<u>\$ 2,336,839</u>	<u>\$ 2,336,839</u>

*Denotes major program

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**PHA'S STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PROJECT IN36P002501-10**

1. The Actual Modernization Costs of Project IN36P002501-10 are as follows:

Funds approved	\$ 556,934
Funds expended	<u>556,934</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	\$ 556,934
Funds expended	<u>556,934</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 July 23, 2012, 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 the Vincennes Housing Authority as of and for the year ended June 30, 2012, and have issued my report thereon dated January 9, 2013. 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 the 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 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 the 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 the Vincennes Housing Authority in a separate letter dated January 9, 2013.

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 9, 2013



Certified Public Accountant



Independent Auditor's 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 the 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, 2012. The 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 the Vincennes Housing Authority's management. My responsibility is to express an opinion on the 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 the 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 the Vincennes Housing Authority's compliance with those requirements.

In my opinion, the 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, 2012. The results of my auditing procedures disclosed no 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 the 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 the 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 the 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 9, 2013



Certified Public Accountant

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended June 30, 2011 contained no findings.

VINCENNES HOUSING AUTHORITY
 VINCENNES, INDIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
 FOR THE YEAR ENDED JUNE 30, 2012

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

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 Fredrick, Executive Director, Carol Johnson, Accountant and the administrative staff, during the course of the audit or at an exit conference held January 9, 2013.

Section III - Federal Award Audit Findings

There were no federal award audit findings discussed with Linda Fredrick, Executive Director, Carol Johnson, Accountant and the administrative staff, during the course of the audit or at an exit conference held January 9, 2013.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2012**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accrued liabilities - other	2139		\$ 133.73	2139
Accrued liabilities - other	2139		6,752.30	2139
Electricity	4310.20	\$ 133.73		2810
Electricity	4310.20	6,752.30		2810
(To record accrued utilities per vender search)				
(2)				
Accrued payroll	2120		\$ 1,178.25	2120
Maintenance labor	4410	\$ 1,178.25		2810
(To correct footing error on schedule)				
(3)				
Prepaid insurance	1211	\$ 3,486.38		1211
Insurance	4510	4,205.18		2810
All other insurance	4510.40	19,466.33		2810
Property insurance	4510.10		\$ 25,364.06	2810
Worker's comp insurance	4510.30		1,793.83	2810
(To adjust accounts to actual)				
<u>Voucher</u>				
(1)				
HUD admin subsidy	8026	\$ 88.00		2223
Fraud losses	4800		\$ 88.00	2223
(To correct posting of cash receipt on 11/04/2011)				

Vincennes Housing Authority (IN002)

VINCENNES, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	2 State/Local	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$778,464	\$104,804	\$11,459	\$2,302	\$897,029		\$897,029
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted	\$18,755			\$386,537	\$405,292		\$405,292
114 Cash - Tenant Security Deposits	\$37,124				\$37,124		\$37,124
115 Cash - Restricted for Payment of Current Liabilities	\$7,043				\$7,043		\$7,043
100 Total Cash	\$841,386	\$104,804	\$11,459	\$388,839	\$1,346,488	\$0	\$1,346,488
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous							
126 Accounts Receivable - Tenants	\$8,905				\$8,905		\$8,905
126.1 Allowance for Doubtful Accounts - Tenants	\$0				\$0		\$0
126.2 Allowance for Doubtful Accounts - Other					\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery				\$5,554	\$5,554		\$5,554
128.1 Allowance for Doubtful Accounts - Fraud				\$0	\$0		\$0
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$8,905	\$0	\$0	\$5,554	\$14,459	\$0	\$14,459
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$58,042				\$58,042		\$58,042
143 Inventories	\$45,618				\$45,618		\$45,618
143.1 Allowance for Obsolete Inventories	-\$500				-\$500		-\$500
144 Inter Program Due From		\$15,156			\$15,156	-\$15,156	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$953,451	\$119,960	\$11,459	\$394,393	\$1,479,263	-\$15,156	\$1,464,107
151 Land	\$373,646				\$373,646		\$373,646
162 Buildings	\$18,402,395				\$18,402,395		\$18,402,395
163 Furniture, Equipment & Machinery - Dwellings			\$41,075		\$41,075		\$41,075
164 Furniture, Equipment & Machinery - Administration	\$1,369,633				\$1,369,633		\$1,369,633
165 Leasehold Improvements	\$3,057,214				\$3,057,214		\$3,057,214
166 Accumulated Depreciation	-\$13,215,575		-\$29,308		-\$13,244,883		-\$13,244,883
167 Construction in Progress							
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$9,987,313	\$0	\$11,767	\$0	\$9,999,080	\$0	\$9,999,080
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$9,987,313	\$0	\$11,767	\$0	\$9,999,080	\$0	\$9,999,080
190 Total Assets	\$10,940,764	\$119,960	\$23,226	\$394,393	\$11,478,343	-\$15,156	\$11,463,187

Vincennes Housing Authority (IN002)

VINCENNES, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	2 State/Local	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$1,256				\$1,256		\$1,256
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$33,810				\$33,810		\$33,810
322 Accrued Compensated Absences - Current Portion	\$27,328				\$27,328		\$27,328
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$51,406				\$51,406		\$51,406
341 Tenant Security Deposits	\$37,124				\$37,124		\$37,124
342 Deferred Revenues	\$7,043				\$7,043		\$7,043
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds							
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities	\$18,755				\$18,755		\$18,755
346 Accrued Liabilities - Other	\$16,239				\$16,239		\$16,239
347 Inter Program - Due To			\$15,156		\$15,156	-\$15,156	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$192,961	\$0	\$15,156	\$0	\$208,117	-\$15,156	\$192,961
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue							
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other				\$35,365	\$35,365		\$35,365
354 Accrued Compensated Absences - Non Current							
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities							
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$35,365	\$35,365	\$0	\$35,365
300 Total Liabilities	\$192,961	\$0	\$15,156	\$35,365	\$243,482	-\$15,156	\$228,326
508.1 Invested In Capital Assets, Net of Related Debt	\$9,987,313		\$11,767		\$9,999,080		\$9,999,080
511.1 Restricted Net Assets				\$351,172	\$351,172		\$351,172
512.1 Unrestricted Net Assets	\$760,490	\$119,960	-\$3,697	\$7,856	\$884,609		\$884,609
513 Total Equity/Net Assets	\$10,747,803	\$119,960	\$8,070	\$359,028	\$11,234,861	\$0	\$11,234,861
600 Total Liabilities and Equity/Net Assets	\$10,940,764	\$119,960	\$23,226	\$394,393	\$11,478,343	-\$15,156	\$11,463,187

Vincennes Housing Authority (IN002)

VINCENNES, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	2 State/Local	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$776,848				\$776,848		\$776,848
70400 Tenant Revenue - Other	\$67,092				\$67,092		\$67,092
70500 Total Tenant Revenue	\$843,940	\$0	\$0	\$0	\$843,940	\$0	\$843,940
70600 HUD PHA Operating Grants	\$682,474			\$1,166,891	\$1,849,365		\$1,849,365
70610 Capital Grants	\$487,474				\$487,474		\$487,474
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue					\$0	\$0	\$0
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$2,292	\$190	\$4		\$2,486		\$2,486
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery							
71500 Other Revenue	\$600	\$12,624	\$14,252		\$27,476		\$27,476
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted				\$1,337	\$1,337		\$1,337
70000 Total Revenue	\$2,016,780	\$12,814	\$14,256	\$1,168,228	\$3,212,078	\$0	\$3,212,078
91100 Administrative Salaries	\$137,089			\$241,109	\$378,198		\$378,198
91200 Auditing Fees	\$6,000			\$1,244	\$7,244		\$7,244
91300 Management Fee							
91310 Book-keeping Fee							
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative	\$61,606				\$61,606		\$61,606
91600 Office Expenses	\$19,469		\$48		\$19,517		\$19,517
91700 Legal Expense	\$2,310				\$2,310		\$2,310
91800 Travel	\$10,896				\$10,896		\$10,896
91810 Allocated Overhead				\$13,245	\$13,245		\$13,245
91900 Other	\$57,991		\$9,054		\$67,045		\$67,045
91000 Total Operating - Administrative	\$295,361	\$0	\$9,102	\$255,598	\$560,061	\$0	\$560,061
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	\$9,472				\$9,472		\$9,472
92500 Total Tenant Services	\$9,472	\$0	\$0	\$0	\$9,472	\$0	\$9,472

Vincennes Housing Authority (IN002)

VINCENNES, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	2 State/Local	1 Business Activities	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
93100 Water	\$93,407				\$93,407		\$93,407
93200 Electricity	\$168,382				\$168,382		\$168,382
93300 Gas	\$74,981				\$74,981		\$74,981
93400 Fuel							
93500 Labor							
93600 Sewer							
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$336,770	\$0	\$0	\$0	\$336,770	\$0	\$336,770
94100 Ordinary Maintenance and Operations - Labor	\$278,882				\$278,882		\$278,882
94200 Ordinary Maintenance and Operations - Materials and Other	\$172,885				\$172,885		\$172,885
94300 Ordinary Maintenance and Operations Contracts	\$139,211				\$139,211		\$139,211
94500 Employee Benefit Contributions - Ordinary Maintenance	\$262,952				\$262,952		\$262,952
94000 Total Maintenance	\$853,930	\$0	\$0	\$0	\$853,930	\$0	\$853,930
95100 Protective Services - Labor	\$23,825				\$23,825		\$23,825
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$23,825	\$0	\$0	\$0	\$23,825	\$0	\$23,825
96110 Property Insurance	\$66,424				\$66,424		\$66,424
96120 Liability Insurance	\$10,543				\$10,543		\$10,543
96130 Workmen's Compensation	\$7,830			\$2,406	\$10,236		\$10,236
96140 All Other Insurance	\$23,672				\$23,672		\$23,672
96100 Total Insurance Premiums	\$108,469	\$0	\$0	\$2,406	\$110,875	\$0	\$110,875
96200 Other General Expenses							
96210 Compensated Absences	\$39,227				\$39,227		\$39,227
96300 Payments in Lieu of Taxes	\$34,771				\$34,771		\$34,771
96400 Bad debt - Tenant Rents	\$5,564				\$5,564		\$5,564
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$79,562	\$0	\$0	\$0	\$79,562	\$0	\$79,562
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,707,389	\$0	\$9,102	\$258,004	\$1,974,495	\$0	\$1,974,495
97000 Excess of Operating Revenue over Operating Expenses	\$309,391	\$12,814	\$5,154	\$910,224	\$1,237,583	\$0	\$1,237,583

Vincennes Housing Authority (IN002)

VINCENNES, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	2 State/Local	1 Business Activities	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$71,242				\$71,242		\$71,242
97200 Casualty Losses - Non-capitalized	\$467				\$467		\$467
97300 Housing Assistance Payments				\$1,360,660	\$1,360,660		\$1,360,660
97350 HAP Portability-In							
97400 Depreciation Expense	\$581,365		\$4,736		\$586,101		\$586,101
97500 Fraud Losses				\$12,590	\$12,590		\$12,590
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$2,360,463	\$0	\$13,838	\$1,631,254	\$4,005,555	\$0	\$4,005,555
10010 Operating Transfer In	\$129,237				\$129,237		\$129,237
10020 Operating transfer Out	-\$129,237				-\$129,237		-\$129,237
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$343,683	\$12,814	\$418	-\$463,026	-\$793,477	\$0	-\$793,477
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$11,091,486	\$107,146	\$7,652	\$822,054	\$12,028,338		\$12,028,338
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors							
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity				\$7,856	\$7,856		\$7,856
11180 Housing Assistance Payments Equity				\$351,172	\$351,172		\$351,172
11190 Unit Months Available	4416			4464	8880		8880
11210 Number of Unit Months Leased	4356			4212	8568		8568
11270 Excess Cash	\$496,734				\$496,734		\$496,734
11610 Land Purchases	\$0				\$0		\$0
11620 Building Purchases	\$487,474				\$487,474		\$487,474
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0				\$0		\$0
11650 Leasehold Improvements Purchases	\$0				\$0		\$0
11660 Infrastructure Purchases	\$0				\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0		\$0



Board of Commissioners
Vincennes Housing Authority
Vincennes, Indiana

In planning and performing my audit of the financial statements of the Vincennes Housing Authority as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's 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 the Vincennes Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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.

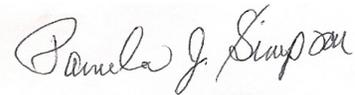
Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the 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. While reviewing the agency's SEMAP certification, the Housing Authority could not provide written documentation to substantiate the results of quality assurance tests of the waiting list. This documentation needs to be retained as support for the certification.
2. While reviewing current policies and procedures of the Housing Authority, it was noted that the agency had a change to the formal travel policy. The PHA changed to paying a flat per diem for meals for employees and commissioners while traveling with no expense report required upon return. The PHA should issue 1099's for per diems paid.

3. While reviewing PILOT expense it was noted that the Housing Authority was given partial forgiveness for PILOT owed to the City. The PHA should obtain written verification of the forgiveness.
4. While reviewing allocations of expenses I noted the PHA does not have a formal allocation policy for wages being charged to its Voucher program. Currently, wages charged are equal to 100% of the admin fee and escrow fee subsidy being received. The PHA needs to adopt an allocation method for this.
5. While reviewing the FDS during my audit, it was noted that all soft costs and operating transfers were charged to Capital Funds and reported as administrative wages. The PHA should expand its chart of accounts and allocate a portion of applicable expenses to other categories on FDS. Also, PHA should not offset administrative expense when making transfer of CFP to admin, instead it should be recorded as a operating transfer.
6. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six (6) months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
7. Generally accepted accounting principles require that the Housing Authority adopt a policy regarding the establishment and recording of an allowance for doubtful accounts. While auditing the current year financial statements it was noted that no allowance had been established. The Authority should formally adopt a policy.
8. During my review of insurance coverage, I noted that the Housing Authority had an incorrect policy period used in the calculation of prepaid for the worker's compensation coverage.
9. While reviewing the depreciation schedule I noted the schedule listed some items under the adopted capitalization limit. The Housing Authority should review the schedule and remove items that do not meet the policy threshold.
10. The Housing Authority is reminded that performance bonuses to Board Members can only be paid from non-federal funds.

This communication is intended solely for the information and use 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.



Certified Public Accountant

Decatur, Illinois
January 9, 2013