



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B43610

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, 2012 to June 30, 2013. 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, 2013 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, 2013

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

TABLE OF CONTENTS

Auditor's Report	1
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS	
Statement of Fund Net Position At June 30, 2013	8
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds - Twelve Months Ended June 30, 2013	9
Statement of Cash Flows - Twelve Months Ended June 30, 2013	10
Notes to Financial Statements	12
SUPPLEMENTAL DATA	
Schedule of Expenditure of Federal Awards	23
PHA's Statement and Certification of Actual Modernization Cost - Phase IN36P002501-11	24
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	25
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 ..	27
Status of Prior Audit Findings	29
Schedule of Findings and Questioned Costs - Summary	30
Current Findings and Recommendations	31
Schedule of Adjusting Journal Entries	32
Financial Data Schedule - REAC Electronic Submission	33



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, 2013, and the related notes to the financial statements, which collectively comprise the Vincennes Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Vincennes Housing Authority, as of June 30, 2013 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Report on Supplemental Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Vincennes Housing Authority's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Further, the financial data schedules shown on pages 33 to 37 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are not a required part 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the above described supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Report Issued in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 4, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of a *Government Auditing Standards* and should be considered in assessing the results of my audit.

Decatur, Illinois
December 4, 2013



Certified Public Accountant

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

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

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$10,473,900 (net position).

The Authority's cash balance at June 30, 2013, was \$947,628 representing a decrease of \$398,860 from June 30, 2012 balance of \$1,346,488.

The Authority had operating revenues of \$861,946, Department of Housing and Urban Development (HUD) grants of \$2,018,816, capital grants of \$160,000, investment income of \$1,681 and other revenues of \$27,959 for the year ended June 30, 2013.

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 Position – reports the Authority's current financial resources with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Fund Net Position – 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, 2014 that will significantly affect the Authority's Net Position either positively or negatively.

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Position

Total Assets for FYE 2013 were \$10,651,108, and at FYE 2012, the amount was \$11,463,187. This represents a decrease of \$812,079.

Capital Assets decreased by \$414,084. At FYE 2013 and FYE 2012, the amounts were \$9,584,996 and \$9,999,080, respectively.

Total Liabilities decreased by \$51,118, mostly due to a decrease in utilities payable.

Revenues decreased by \$141,676 from FYE June 30, 2012. At FYE 2013 and FYE 2012, total revenues were \$3,070,402 and \$3,212,078, respectively. The decrease is mostly due to a decrease in HUD capital grant.

Total Expenses decreased by \$174,860 which is mostly due to a decrease in maintenance expenses and HAP expenses.

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	947,628	1,346,488	(398,860)	-30%
Other Current Assets	118,484	117,619	865	1%
Capital Assets	9,584,996	9,999,080	(414,084)	-4%
Total Assets	10,651,108	11,463,187	(812,079)	-7%
Deferred Outflows of Resources	0	0	0	0%
TOTAL	10,651,108	11,463,187	(812,079)	-7%
Current Liabilities	153,932	192,961	(39,029)	-20%
Noncurrent Liabilities	23,276	35,365	(12,089)	-34%
Total Liabilities	177,208	228,326	(51,118)	-22%
Deferred Inflows of Resources	0	0	0	0%
Net Investment in Capital Assets	9,584,996	9,999,080	(414,084)	-4%
Restricted	122,213	351,172	(228,959)	-65%
Unrestricted	766,691	884,609	(117,918)	-13%
Total Net Position	10,473,900	11,234,861	(760,961)	-7%
TOTAL	10,651,108	11,463,187	(812,079)	-7%

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Analysis of Entity Wide Revenue

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2013 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$1,431,277
Housing Choice Vouchers	\$1,273,345
Capital Funds Program	\$350,748
Business Activities	\$14,229
State and Local	\$803

Revenue decreases related to less HUD Capital Funds.

Total revenues for Fiscal Year Ending June 30, 2013 were \$3,070,402 as compared to the total revenues for Fiscal Year Ending June 30, 2012 of \$3,212,078. Comparatively, Fiscal Year Ending 2013 revenues were less than Fiscal Year Ending 2012 revenues by \$141,676.

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>Percent Variances</u>
Total Tenant Revenue	861,946	843,940	18,006	2%
HUD Operating Grants	2,018,816	1,849,365	169,451	9%
HUD Capital Grants	160,000	487,474	(327,474)	-67%
Investment Income	1,681	3,823	(2,142)	-56%
Fraud Recovery	6,322	0	6,322	0%
Other Revenue	23,022	27,476	(4,454)	-16%
Gain/Loss on Capital Assets	(1,385)	0	(1,385)	0%
Total Revenue	\$ 3,070,402	\$ 3,212,078	\$ (141,676)	-4%

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending June 30, 2013 were \$3,830,695 as compared to \$4,005,555 of total expenditures for Fiscal Year Ending June 30, 2012. Comparatively, Fiscal Year Ending 2013 expenditures were less than Fiscal Year Ending 2012 expenditures by \$174,860. Changes by major expense category will be presented below.

Administrative expenditures increased by \$52,989 or 9%. There was an increase in employee benefits.

Utilities increased by \$2,586 or 1% due to normal fluctuations in usage and costs.

Maintenance expenditures decreased by \$79,751.

Extraordinary Maintenance decreased by \$22,501 or 32%.

Housing Assistance Payments decreased by \$78,869 or 6% due to a decrease in HUD funding and the related number of units that could be funded.

The table below illustrates our analysis:

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>Percent Variances</u>
Administrative	613,050	560,061	52,989	9%
Tenant Services	7,586	9,472	(1,886)	-20%
Utilities	339,356	336,770	2,586	1%
Maintenance	774,179	853,930	(79,751)	-9%
Protective Services	8,948	23,825	(14,877)	-62%
General Expense	184,345	203,027	(18,682)	-9%
Extraordinary Maintenance	48,741	71,242	(22,501)	-32%
Casualty Losses	0	467	(467)	-100%
Housing Assistance Payments	1,281,791	1,360,660	(78,869)	-6%
Depreciation Expense	572,699	586,101	(13,402)	-2%
Total Expenses	<u><u>\$3,830,695</u></u>	<u><u>\$4,005,555</u></u>	<u><u>\$ (174,860)</u></u>	<u><u>-4%</u></u>

**VINCENNES HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013, the Authority's investment in capital assets was \$9,584,996 (net of accumulated depreciation). The investment includes land, buildings and equipment. Capital outlays for the year were \$160,000 consisting of the following purchases:

- Architect fees \$33,769
- Tree removal \$26,510
- Building canopy \$18,137
- Building improvements (HVAC) \$26,313
- Building improvements (curbs, ramp, and ditch work) \$38,721
- Security vehicle \$16,550

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>Percent Variance</u>
Land	400,156	373,646	26,510	7.1%
Buildings	18,402,395	18,402,395	0	0.0%
Furniture, Equipment, & Machinery - Dwelling	41,075	41,075	0	0.0%
Furniture, Equipment, & Machinery - Admin	1,382,919	1,369,633	13,286	1.0%
Leasehold Improvements	3,173,439	3,057,214	116,225	3.8%
Total Fixed Assets	\$ 23,399,984	\$ 23,243,963	\$ 156,021	0.7%
Accumulated Depreciation	13,814,988	13,244,883	570,105	4.3%
Net Fixed Assets	\$ 9,584,996	\$ 9,999,080	\$ (414,084)	-4.1%

Debt Activity

The Housing Authority had no outstanding debt in 2013 or 2012.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
AS OF JUNE 30, 2013**

ASSETS

Cash - operating	\$ 740,304
Cash - restricted	207,324
Receivables, net	16,982
Inventory	47,227
Prepaid expenses	54,275
Capital assets:	
Land, land improvements and construction in progress	\$ 400,156
Other assets, net of depreciation	<u>9,184,840</u>
Net Capital Assets	<u>\$ 9,584,996</u>
Total Assets	<u>\$ 10,651,108</u>

DEFERRED OUTFLOWS OF RESOURCES \$ 0

TOTAL \$ 10,651,108

LIABILITIES

Accounts payable	\$ 38,800
Other liabilities	111,023
Unearned revenue	4,109
Noncurrent liabilities:	
FSS escrow	<u>23,276</u>
Total Liabilities	<u>\$ 177,208</u>

DEFERRED INFLOWS OF RESOURCES \$ 0

NET POSITION

Net investment in capital assets	\$ 9,584,996
Restricted	122,213
Unrestricted	<u>766,691</u>
Total Net Position	<u>\$ 10,473,900</u>

TOTAL \$ 10,651,108

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2013**

Operating Income

Tenant rental revenue	\$ 794,198
Tenant revenue - other	<u>67,748</u>
Total Tenant Revenue	\$ 861,946
HUD grants - operating	2,018,816
Fraud recovery	6,322
Other revenue	23,022
Gain/loss on sale of capital assets	<u>-1,385</u>
Total Operating Income	<u>\$ 2,908,721</u>

Operating Expenses

Administration	\$ 613,050
Tenant services	7,586
Utilities	339,356
Ordinary maintenance and operation	774,179
Protective services	8,948
General expense	184,345
Extraordinary maintenance	48,741
Housing assistance payments	1,281,791
Depreciation	<u>572,699</u>
Total Operating Expenses	<u>\$ 3,830,695</u>
Net Operating Income (Loss)	\$ -921,974

Nonoperating Income (Expense)

Interest income	1,681
-----------------	-------

Capital Contributions

Capital funds grant	<u>160,000</u>
Changes in net position	\$ -760,293
Net position, beginning of year	11,234,861
Prior period adjustments	<u>-668</u>
Net position, end of year	<u>\$ 10,473,900</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, 2013**

Operating Activities

Operating grants	\$ 2,018,816
Tenant revenue	857,655
Other revenue	27,959
Housing assistance payments	-1,281,791
Payments to employees	-720,850
Payments to suppliers and contractors	<u>-1,303,715</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -401,926</u>

Investing Activities

Interest income	<u>\$ 1,681</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 1,681</u>

Capital and Related Financing Activities

Capital funds grants	\$ 160,000
(Additions) deletions to fixed assets	<u>-158,615</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 1,385</u>
Net Change in Cash	\$ -398,860
Cash Balance at June 30, 2012	<u>1,346,488</u>
Cash Balance at June 30, 2013	<u><u>\$ 947,628</u></u>

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2013**

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

Net operating income (loss)	\$ -921,974
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	572,699
Adjustments to net position	-668
(Increase) decrease in accounts receivable	-2,523
(Increase) decrease in inventory	-2,109
(Increase) decrease in prepaid expenses	3,767
Increase (decrease) in accounts payable	420
Increase (decrease) in FSS escrow	-12,089
Increase (decrease) in unearned revenues	-2,934
Increase (decrease) in other liabilities	<u>-36,515</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -401,926</u>

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2013**

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, 2013
(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
- * Capital Fund Program
- * Housing Choice Vouchers
- * State and Local
- * 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 Net Investment in Capital Assets, Restricted and Unrestricted.

(d) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the policy 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 six (6) months 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, 2013
(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, 2013, 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, 2013
(CONTINUED)

Note 1 - Summary of Significant Accounting Policies

(i) Net Position -

GASB Statement 63 requires the classification of net position into three components as defined below:

- 1) Net investment in capital assets - capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction or improvement of those assets.
- 2) Restricted - restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- 3) Unrestricted - amounts not required to be reported in the other components of net position.

(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, 2013
(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, 2013
(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	\$ 688,879	\$ 711,168
Voucher	146,735	146,735
State and Local	105,607	105,607
Business Activities	<u>6,407</u>	<u>6,606</u>
Total	<u>\$ 947,628</u>	<u>\$ 970,116</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 10% of annual covered payroll. The actual contributions by the Housing Authority to PERF were \$65,845 and \$19,269 was contributed by the employees for the current fiscal year. Total annual payroll expense was \$642,412.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Note 5 - Post-Employment Benefits

The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Note 6 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 10,069
Fraud recovery	<u>6,913</u>
Subtotal	\$ 16,982
Interfund	<u>15,156</u>
Total	<u>\$ 32,138</u>

Note 7 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	<u>\$ 54,275</u>
-------------------	------------------

Note 8 - Capital Assets

Balance as of June 30, 2013	\$ 9,584,996
Balance as of June 30, 2012	<u>9,999,080</u>
Net Increase (Decrease)	<u>\$ -414,084</u>

Reconciliation

Betterments and additions	\$ 143,450
Replacement of equipment	16,550
Disposal of nonexpendable equipment	-1,385
Current year depreciation expense	<u>-572,699</u> *
Net Increase (Decrease)	<u>\$ -414,084</u>

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Note 8 - Capital Assets (Continued)

<u>Analysis</u>	07/01/2012 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	06/30/2013 <u>Balance</u>
Land	\$ 373,646	\$ 26,510	\$ 0	\$ 400,156
Buildings	18,402,395	116,940	715	18,518,620
Equipment and furniture	1,410,708	16,550	3,264	1,423,994
Leasehold improvements	<u>3,057,214</u>	<u>0</u>	<u>0</u>	<u>3,057,214</u>
Total Assets	\$ 23,243,963	\$ 160,000	\$ 3,979	\$ 23,399,984
Accumulated depreciation	<u>-13,244,883</u>	<u>2,594</u>	<u>572,699</u>	* <u>-13,814,988</u>
Total	<u>\$ 9,999,080</u>	<u>\$ 162,594</u>	<u>\$ 576,678</u>	<u>\$ 9,584,996</u>

* Current year depreciation recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 939
Accounts payable - HUD interest	930
Tenants security deposits	<u>36,931</u>
Subtotal	\$ 38,800
Interfund	<u>15,156</u>
Total	<u>\$ 53,956</u>

Note 10 - 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.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Note 11 - Other Liabilities

Other liabilities consists of the following:

Current Portion:

Wages/payroll taxes payable	\$ 29,270
Compensated absences	27,538
Payment in lieu of taxes	52,259
Utilities payable	<u>1,956</u>
 Total	 <u>\$ 111,023</u>

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of June 30, 2013:

	<u>07/01/2012</u>			<u>06/30/2013</u>
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
FSS escrow	<u>\$ 35,365</u>	<u>\$ 0</u>	<u>\$ 12,089</u>	<u>\$ 23,276</u>

Note 13 - Unearned Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 4,109</u>
----------------------	-----------------

Note 14 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is calculated by HUD on a quarterly/annual basis.

Note 15 - 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 16 - 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.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Note 17 - Prior Period Adjustments

Prior period adjustments posted directly to net position are detailed below:

Prior year HUD interest due Jan - June 2012	\$ <u>-668</u>
---	----------------

Note 18 - Contracts/Commitments

As of June 30, 2013, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-12	\$ 412,681	\$ 259,068
CFP 501-13	<u>392,812</u>	<u>0</u>
Total	<u>\$ 805,493</u>	<u>\$ 259,068</u>

Note 19 - 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 20 - Economic Dependency

The Housing Authority received most of its revenue (71%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

Note 26 - Restricted Net Position

Restricted net position is restricted for the following:

HAP	\$ <u>122,213</u>
-----	-------------------

SUPPLEMENTAL DATA

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

<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-2013	FYE 06/30/13	\$ 564,791	\$ 564,791	\$ 564,791
Housing Choice Vouchers	14.871	C-2064	FYE 06/30/13	\$ 1,263,277	\$ 1,263,277	\$ 1,263,277
Public Housing Capital Funds*	14.872	C-2013	FYE 06/30/13	\$ 1,307,247	\$ 350,748	\$ 350,748
Total Housing Assistance				<u>\$ 3,135,315</u>	<u>\$ 2,178,816</u>	<u>\$ 2,178,816</u>

*Denotes major program

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**PHA'S STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PROJECT IN36P002501-11**

1. The Actual Modernization Costs of Project IN36P002501-11 are as follows:

Funds approved	\$ 501,754
Funds expended	<u>501,754</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	\$ 501,754
Funds expended	<u>501,754</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 December 14, 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.



**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Commissioners
Vincennes Housing Authority
Vincennes, Indiana

I have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Vincennes Housing Authority, which comprise the statement of net position as of June 30, 2013, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Vincennes Housing Authority's basic financial statements and have issued my report thereon dated December 4, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Vincennes Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of the Vincennes Housing Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Vincennes Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vincennes Housing Authority's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the management of the Vincennes Housing Authority in a separate letter dated December 4, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Vincennes Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Vincennes Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountant

Decatur, Illinois
December 4, 2013



**Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance Required by OMB Circular A-133**

Board of Commissioners
Vincennes Housing Authority
Vincennes, Indiana

Report on Compliance for Each Major Program

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 the Vincennes Housing Authority's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Vincennes Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (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 material effect on the major federal programs 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 on compliance for each major program. However, my audit does not provide a legal determination of the Vincennes Housing Authority's compliance.

Opinion on Each Major Program

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, 2013.

Other Matters

The results of my auditing procedures also disclosed no material instances of noncompliance which are to be reported in accordance with *OMB Circular A-133*.

I noted certain matters that I reported to the management of the Vincennes Housing Authority in a separate letter dated December 4, 2013.

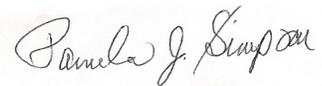
Report on Internal Control Over Compliance

Management of the Vincennes Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Vincennes Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program 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 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 requirements 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 will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit the attention by those charged with governance.

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 *material weaknesses or significant deficiencies*. I did not identify any deficiencies in internal control over compliance that I consider to be *material weaknesses*, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of my testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountant

Decatur, Illinois
December 4, 2013

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended June 30, 2012 contained no findings.

VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED JUNE 30, 2013

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
14.872	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 December 4, 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 December 4, 2013.

**VINCENNES HOUSING AUTHORITY
VINCENNES, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2013**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Wages	4110	\$ 96.12		2223
Rent (HAP)	4715	3,451.50		2222
Rent (HAP)	4715		\$.28	2223
Utility (HAP)	4715.40	102.00		2222
Sundry	4190	67.22		2223
Admin fees - port-in	3610		230.56	2223
HAP reimbursements - port-in	3610.10		3,486.00	2223
(To correct posting of port-in fees and reimbursements received)				
(2)				
Interest earned	3300	\$ 261.88		2222
Restricted	2222	668.40		2222
Due to HUD	2118		\$ 930.28	2118
(To record payable to HUD for interest earned on NRA from 01/01/12 through 06/30/13 per HUD notice)				

Vincennes Housing Authority (IN002)

VINCENNES, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$627,044	\$1,246	\$105,607	\$6,407	\$740,304		\$740,304
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted	\$20,795	\$145,489			\$166,284		\$166,284
114 Cash - Tenant Security Deposits	\$36,931				\$36,931		\$36,931
115 Cash - Restricted for Payment of Current Liabilities	\$4,109				\$4,109		\$4,109
100 Total Cash	\$688,879	\$146,735	\$105,607	\$6,407	\$947,628	\$0	\$947,628
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous							
126 Accounts Receivable - Tenants	\$10,069				\$10,069		\$10,069
126.1 Allowance for Doubtful Accounts - Tenants	\$0				\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery		\$6,913			\$6,913		\$6,913
128.1 Allowance for Doubtful Accounts - Fraud		\$0			\$0		\$0
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$10,069	\$6,913	\$0	\$0	\$16,982	\$0	\$16,982
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$54,275				\$54,275		\$54,275
143 Inventories	\$47,727				\$47,727		\$47,727
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	\$800,450	\$153,648	\$120,763	\$6,407	\$1,081,268	-\$15,156	\$1,066,112
161 Land	\$400,156				\$400,156		\$400,156
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	\$1,382,919				\$1,382,919		\$1,382,919
165 Leasehold Improvements	\$3,173,439				\$3,173,439		\$3,173,439
166 Accumulated Depreciation	-\$13,781,060			-\$33,928	-\$13,814,988		-\$13,814,988
167 Construction in Progress							
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$9,577,849	\$0	\$0	\$7,147	\$9,584,996	\$0	\$9,584,996
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	\$9,577,849	\$0	\$0	\$7,147	\$9,584,996	\$0	\$9,584,996
190 Total Assets	\$10,378,299	\$153,648	\$120,763	\$13,554	\$10,666,264	-\$15,156	\$10,651,108

Vincennes Housing Authority (IN002)

VINCENNES, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$939				\$939		\$939
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$29,270				\$29,270		\$29,270
322 Accrued Compensated Absences - Current Portion	\$27,538				\$27,538		\$27,538
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs		\$930			\$930		\$930
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$52,259				\$52,259		\$52,259
341 Tenant Security Deposits	\$36,931				\$36,931		\$36,931
342 Deferred Revenues	\$4,109				\$4,109		\$4,109
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue							
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities							
346 Accrued Liabilities - Other	\$1,956				\$1,956		\$1,956
347 Inter Program - Due To				\$15,156	\$15,156	-\$15,156	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$153,002	\$930	\$0	\$15,156	\$169,088	-\$15,156	\$153,932
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		\$23,276			\$23,276		\$23,276
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	\$23,276	\$0	\$0	\$23,276	\$0	\$23,276
300 Total Liabilities	\$153,002	\$24,206	\$0	\$15,156	\$192,364	-\$15,156	\$177,208
508.1 Invested In Capital Assets, Net of Related Debt	\$9,577,849			\$7,147	\$9,584,996		\$9,584,996
511.1 Restricted Net Assets		\$122,213			\$122,213		\$122,213
512.1 Unrestricted Net Assets	\$647,448	\$7,229	\$120,763	-\$8,749	\$766,691		\$766,691
513 Total Equity/Net Assets	\$10,225,297	\$129,442	\$120,763	-\$1,602	\$10,473,900	\$0	\$10,473,900
600 Total Liabilities and Equity/Net Assets	\$10,378,299	\$153,648	\$120,763	\$13,554	\$10,666,264	-\$15,156	\$10,651,108

Vincennes Housing Authority (IN002)
VINCENNES, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$794,198				\$794,198		\$794,198
70400 Tenant Revenue - Other	\$67,748				\$67,748		\$67,748
70500 Total Tenant Revenue	\$861,946	\$0	\$0	\$0	\$861,946	\$0	\$861,946
70600 HUD PHA Operating Grants	\$755,539	\$1,263,277			\$2,018,816		\$2,018,816
70610 Capital Grants	\$160,000				\$160,000		\$160,000
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	\$1,475		\$203	\$3	\$1,681		\$1,681
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery		\$6,322			\$6,322		\$6,322
71500 Other Revenue	\$4,450	\$3,746	\$600	\$14,226	\$23,022		\$23,022
71600 Gain or Loss on Sale of Capital Assets	-\$1,385				-\$1,385		-\$1,385
72000 Investment Income - Restricted		\$0			\$0		\$0
70000 Total Revenue	\$1,782,025	\$1,273,345	\$603	\$14,229	\$3,070,402	\$0	\$3,070,402
91100 Administrative Salaries	\$174,812	\$212,396			\$387,208		\$387,208
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	\$114,469				\$114,469		\$114,469
91600 Office Expenses	\$23,847				\$23,847		\$23,847
91700 Legal Expense	\$680				\$680		\$680
91800 Travel	\$17,473				\$17,473		\$17,473
91810 Allocated Overhead							
91900 Other	\$44,079	\$4,046		\$14,002	\$62,129		\$62,129
91000 Total Operating - Administrative	\$381,360	\$217,688	\$0	\$14,002	\$613,050	\$0	\$613,050
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	\$4,594			\$2,992	\$7,586		\$7,586
92500 Total Tenant Services	\$4,594	\$0	\$0	\$2,992	\$7,586	\$0	\$7,586

Vincennes Housing Authority (IN002)
VINCENNES, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
93100 Water	\$109,578				\$109,578		\$109,578
93200 Electricity	\$149,861				\$149,861		\$149,861
93300 Gas	\$79,917				\$79,917		\$79,917
93400 Fuel							
93500 Labor							
93600 Sewer							
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$339,356	\$0	\$0	\$0	\$339,356	\$0	\$339,356
94100 Ordinary Maintenance and Operations - Labor	\$289,241				\$289,241		\$289,241
94200 Ordinary Maintenance and Operations - Materials and Other	\$111,938				\$111,938		\$111,938
94300 Ordinary Maintenance and Operations Contracts	\$125,845			\$2,287	\$128,132		\$128,132
94500 Employee Benefit Contributions - Ordinary Maintenance	\$244,868				\$244,868		\$244,868
94000 Total Maintenance	\$771,892	\$0	\$0	\$2,287	\$774,179	\$0	\$774,179
95100 Protective Services - Labor	\$8,948				\$8,948		\$8,948
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$8,948	\$0	\$0	\$0	\$8,948	\$0	\$8,948
96110 Property Insurance	\$48,683				\$48,683		\$48,683
96120 Liability Insurance	\$21,618				\$21,618		\$21,618
96130 Workmen's Compensation	\$11,641	\$2,784			\$14,425		\$14,425
96140 All Other Insurance	\$26,552				\$26,552		\$26,552
96100 Total Insurance Premiums	\$108,494	\$2,784	\$0	\$0	\$111,278	\$0	\$111,278
96200 Other General Expenses							
96210 Compensated Absences	\$38,664				\$38,664		\$38,664
96300 Payments in Lieu of Taxes	\$31,123				\$31,123		\$31,123
96400 Bad debt - Tenant Rents	\$3,280				\$3,280		\$3,280
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$73,067	\$0	\$0	\$0	\$73,067	\$0	\$73,067
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	\$1,687,711	\$220,472	\$0	\$19,281	\$1,927,464	\$0	\$1,927,464
97000 Excess of Operating Revenue over Operating Expenses	\$94,314	\$1,052,873	\$803	-\$5,052	\$1,142,938	\$0	\$1,142,938

Vincennes Housing Authority (IN002)
VINCENNES, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$48,741				\$48,741		\$48,741
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments		\$1,278,305			\$1,278,305		\$1,278,305
97350 HAP Portability-In		\$3,486			\$3,486		\$3,486
97400 Depreciation Expense	\$568,079			\$4,620	\$572,699		\$572,699
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$2,304,531	\$1,502,263	\$0	\$23,901	\$3,830,695	\$0	\$3,830,695
10010 Operating Transfer In	\$147,153				\$147,153	-\$147,153	\$0
10020 Operating transfer Out	-\$147,153				-\$147,153	\$147,153	\$0
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	-\$522,506	-\$228,918	\$803	-\$9,672	-\$760,293	\$0	-\$760,293
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$10,747,603	\$359,028	\$119,960	\$8,070	\$11,234,661		\$11,234,661
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		-\$668			-\$668		-\$668
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		\$7,229			\$7,229		\$7,229
11180 Housing Assistance Payments Equity		\$122,213			\$122,213		\$122,213
11190 Unit Months Available	4164	4464			8628		8628
11210 Number of Unit Months Leased	4104	3468			7572		7572
11270 Excess Cash	\$388,142				\$388,142		\$388,142
11610 Land Purchases	\$26,510				\$26,510		\$26,510
11620 Building Purchases	\$116,940				\$116,940		\$116,940
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$16,550				\$16,550		\$16,550
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, 2013, 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 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 a formal allocation method for this.
2. 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.

3. Port In fees and HAP reimbursements should be reported in separate revenue accounts, not offset against revenue accounts. HUD allows them to be retained as part of admin equity. Port In HAP paid should be in a separate expense account as well.
4. Interest earned on NRA is not a part of the income statement effective January 1, 2012 per PIH notice. It actually must be paid back to HUD and an adjusting entry has been provided.

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.

A handwritten signature in cursive script that reads "Pamela J. Simpson".

Certified Public Accountant

Decatur, Illinois
December 4, 2013