



**STATE OF INDIANA**  
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April 30, 2015

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, 2013 to June 30, 2014. 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, 2014 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.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

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

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**TWELVE MONTHS ENDED JUNE 30, 2014**

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

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## Independent Auditor's Report

Board of Commissioners  
Vincennes Housing Authority  
Vincennes, Indiana

I have audited the accompanying financial statements of the Vincennes Housing Authority, as of and for the year ended June 30, 2014, 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, 2014 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**

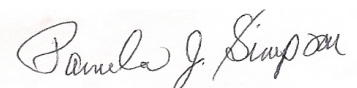
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Vincennes Housing Authority's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required 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 January 23, 2015 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  
January 23, 2015



Certified Public Accountant

**VINCENNES HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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, 2014. 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 \$10,061,431 (net position).

The Authority's cash balance at June 30, 2014, was \$783,115 representing a decrease of \$164,513 from June 30, 2013 balance of \$947,628.

The Authority had operating revenues of \$849,663, Department of Housing and Urban Development (HUD) grants of \$2,099,072, capital grants of \$341,377, investment income of \$1,556 and other revenues of \$50,993 for the year ended June 30, 2014.

**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, 2015 that will significantly affect the Authority's Net Position either positively or negatively.

**VINCENNES HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Condensed Comparative Financial Statements**

***Analysis of Entity Wide Net Position***

**Total Assets** for FYE 2013 were \$10,651,108, and at FYE 2014, the amount was \$10,247,717. This represents a decrease of \$403,391.

**Capital Assets** decreased by \$224,233. At FYE 2013 and FYE 2014, the amounts were \$9,584,996 and \$9,360,763, respectively.

**Total Liabilities** increased by \$9,078, mostly due to an increase in FSS escrow.

**Revenues** increased by \$272,259 from FYE June 30, 2013. At FYE 2013 and FYE 2014, total revenues were \$3,070,402 and \$3,342,661, respectively. The increase is mostly due to an increase in HUD capital grant.

**Total Expenses** decreased by \$75,565 which is mostly due to a decrease in HAP expenses.

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	783,115	947,628	(164,513)	-17%
Other Current Assets	103,839	118,484	(14,645)	-12%
Capital Assets	9,360,763	9,584,996	(224,233)	-2%
<b>Total Assets</b>	<b>10,247,717</b>	<b>10,651,108</b>	<b>(403,391)</b>	<b>-4%</b>
Deferred Outflows of Resources	0	0	0	0%
<b>TOTAL</b>	<b>10,247,717</b>	<b>10,651,108</b>	<b>(403,391)</b>	<b>-4%</b>
Current Liabilities	152,441	153,932	(1,491)	-1%
Noncurrent Liabilities	33,845	23,276	10,569	45%
<b>Total Liabilities</b>	<b>186,286</b>	<b>177,208</b>	<b>9,078</b>	<b>5%</b>
Deferred Inflows of Resources	0	0	0	0%
Net Investment in Capital Assets	9,360,763	9,584,996	(224,233)	-2%
Restricted	47,441	122,213	(74,772)	-61%
Unrestricted	653,227	766,691	(113,464)	-15%
<b>Total Net Position</b>	<b>10,061,431</b>	<b>10,473,900</b>	<b>(412,469)</b>	<b>-4%</b>
<b>TOTAL</b>	<b>10,247,717</b>	<b>10,651,108</b>	<b>(403,391)</b>	<b>-4%</b>

**VINCENNES HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

***Analysis of Entity Wide Revenue***

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2014 were as follows:

<u><b>Program</b></u>	<u><b>Revenues Generated</b></u>
Low Income Public Housing	\$1,567,421
Housing Choice Vouchers	\$1,307,523
Capital Funds Program	\$450,862
Business Activities	\$16,658
State and Local	\$197

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, 2014 of \$3,342,661. Comparatively, Fiscal Year Ending 2014 revenues were more than Fiscal Year Ending 2013 revenues by \$272,259.

	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>Net Change</b></u>	<u><b>Percent Variances</b></u>
Total Tenant Revenue	849,663	861,946	(12,283)	-1%
HUD Operating Grants	2,099,072	2,018,816	80,256	4%
HUD Capital Grants	341,377	160,000	181,377	113%
Investment Income	1,556	1,681	(125)	-7%
Fraud Recovery	5,708	6,322	(614)	-10%
Other Revenue	45,285	23,022	22,263	97%
Gain/Loss on Capital Assets	0	(1,385)	1,385	100%
<b>Total Revenue</b>	<u><b>\$ 3,342,661</b></u>	<u><b>\$ 3,070,402</b></u>	<u><b>\$ 272,259</b></u>	<u><b>9%</b></u>



**VINCENNES HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

***Analysis of Entity Wide Expenditures***

**Total Expenditures** for Fiscal Year Ending June 30, 2013 were \$3,830,695 as compared to \$3,755,130 of total expenditures for Fiscal Year Ending June 30, 2014. Comparatively, Fiscal Year Ending 2014 expenditures were less than Fiscal Year Ending 2013 expenditures by \$75,565. Changes by major expense category will be presented below.

**Administrative** expenditures decreased by \$41,651 or 7%. There was a decrease in employee salaries.

**Tenant Services** decreased by \$3,059 or 40% due to fewer tenant activities.

**Utilities** increased by \$32,719 or 10% due to normal fluctuations in usage and costs.

**Maintenance** expenditures decreased by \$18,369.

**General Expenses** increased by \$11,095 or 6%. There was an increase in bad debt expense.

**Extraordinary Maintenance** increased by \$3,212 or 7%.

**Housing Assistance Payments** decreased by \$59,883 or 5% due to a decrease in HUD funding and the related number of units that could be funded.

The table below illustrates our analysis:

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>	<u>Percent Variances</u>
Administrative	571,399	613,050	(41,651)	-7%
Tenant Services	4,527	7,586	(3,059)	-40%
Utilities	372,075	339,356	32,719	10%
Maintenance	755,810	774,179	(18,369)	-2%
Protective Services	5,265	8,948	(3,683)	-41%
General Expense	195,440	184,345	11,095	6%
Extraordinary Maintenance	51,953	48,741	3,212	7%
Housing Assistance Payments	1,221,908	1,281,791	(59,883)	-5%
Depreciation Expense	569,772	572,699	(2,927)	-1%
Fraud Losses	6,981	0	6,981	0%
<b>Total Expenses</b>	<u><u>\$3,755,130</u></u>	<u><u>\$3,830,695</u></u>	<u><u>\$ (75,565)</u></u>	<u><u>-2%</u></u>

**VINCENNES HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**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, 2014, the Authority's investment in capital assets was \$9,360,763 (net of accumulated depreciation). The investment includes land, buildings and equipment. Capital outlays for the year were \$345,539 consisting of the following purchases:

- Windows \$278,884
- Doors \$9,788
- Building canopy \$4,082
- Server \$10,042
- 2015 Tahoe \$28,247

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>	<u>Percent Variance</u>
Land	400,156	400,156	0	0.0%
Buildings	21,877,584	18,402,395	3,475,189	18.9%
Furniture, Equipment, & Machinery - Dwelling	42,090	41,075	1,015	2.5%
Furniture, Equipment, & Machinery - Admin	1,425,693	1,382,919	42,774	3.1%
Leasehold Improvements	-	3,173,439	(3,173,439)	-100.0%
<b>Total Fixed Assets</b>	<b>\$ 23,745,523</b>	<b>\$ 23,399,984</b>	<b>\$ 345,539</b>	1.5%
Accumulated Depreciation	14,384,760	13,814,988	569,772	4.1%
<b>Net Fixed Assets</b>	<b>\$ 9,360,763</b>	<b>\$ 9,584,996</b>	<b>\$ (224,233)</b>	-2.3%

**Debt Activity**

The Housing Authority had no outstanding debt in 2013 or 2014.

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
AS OF JUNE 30, 2014**

**ASSETS**

Cash - operating	\$ 642,344
Cash - restricted	140,771
Receivables, net	7,316
Inventory	38,888
Prepaid expenses	57,635

Capital assets:

Land, land improvements and construction in progress	\$ 400,156
Other assets, net of depreciation	<u>8,960,607</u>

Net Capital Assets	<u>\$ 9,360,763</u>
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Total Assets	<u>\$ 10,247,717</u>
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<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	<u>\$ 0</u>
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<b>TOTAL</b>	<u><u>\$ 10,247,717</u></u>
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**LIABILITIES**

Accounts payable	\$ 54,220
Other liabilities	92,338
Unearned revenue	5,883

Noncurrent liabilities:

FSS escrow	<u>33,845</u>
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Total Liabilities	<u>\$ 186,286</u>
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<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	<u>\$ 0</u>
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**NET POSITION**

Net investment in capital assets	\$ 9,360,763
Restricted	47,441
Unrestricted	<u>653,227</u>

Total Net Position	<u>\$ 10,061,431</u>
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<b>TOTAL</b>	<u><u>\$ 10,247,717</u></u>
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**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2014**

Operating Income

Tenant rental revenue	\$ 781,319
Tenant revenue - other	<u>68,344</u>
Total Tenant Revenue	\$ 849,663
HUD grants - operating	2,099,072
Fraud recovery	5,708
Other revenue	<u>45,285</u>
Total Operating Income	<u>\$ 2,999,728</u>

Operating Expenses

Administration	\$ 571,399
Tenant services	4,527
Utilities	372,075
Ordinary maintenance and operation	755,810
Protective services	5,265
General expense and fraud loss	202,421
Extraordinary maintenance	51,953
Housing assistance payments	1,221,908
Depreciation	<u>569,772</u>
Total Operating Expenses	<u>\$ 3,755,130</u>
Net Operating Income (Loss)	\$ -755,402

Nonoperating Income (Expense)

Interest income	1,556
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Capital Contributions

Capital funds grant	<u>341,377</u>
Changes in net position	\$ -412,469
Net position, beginning of year	<u>10,473,900</u>
Net position, end of year	<u><u>\$ 10,061,431</u></u>

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

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2014**

Operating Activities

Operating grants	\$ 2,099,072
Tenant revenue	854,766
Other revenue	50,993
Housing assistance payments	-1,221,908
Payments to employees	-716,688
Payments to suppliers and contractors	<u>-1,228,142</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -161,907</u>

Investing Activities

Interest income	<u>\$ 1,556</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 1,556</u>

Capital and Related Financing Activities

Capital funds grants	\$ 341,377
(Additions) deletions to fixed assets	<u>-345,539</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -4,162</u>

Net Change in Cash	\$ -164,513
Cash Balance at June 30, 2013	<u>947,628</u>
Cash Balance at June 30, 2014	<u><u>\$ 783,115</u></u>

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

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2014**

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

Net operating income (loss)	\$ -755,402
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	569,772
(Increase) decrease in accounts receivable	9,666
(Increase) decrease in inventory	8,339
(Increase) decrease in prepaid expenses	-3,360
Increase (decrease) in accounts payable	15,420
Increase (decrease) in FSS escrow	10,569
Increase (decrease) in unearned revenues	1,774
Increase (decrease) in other liabilities	<u>-18,685</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -161,907</u>

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

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2014**

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, 2014  
(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.

(e) 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.

(f) 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, 2014  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at June 30, 2014, 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.

(h) Inventories and Materials -

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

(i) Fixed Assets -

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

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

Land, buildings and equipment contains the following:

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

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

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

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2014  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) 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.

(k) Income Tax -

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

(l) Annual Contributions/Subsidies and Other Grants

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

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

- (m) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted to the Board for approval.
- (n) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (o) 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, 2014  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (p) Rental income is recognized as rents become due.
- (q) 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, 2014  
(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	\$ 581,661	\$ 619,616
Voucher	82,802	82,871
State and Local	105,804	105,804
Business Activities	<u>12,848</u>	<u>13,185</u>
Total	<u>\$ 783,115</u>	<u>\$ 821,476</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 11.2% of annual covered payroll. The actual contributions by the Housing Authority to PERF were \$65,309 and \$18,475 was contributed by the employees for the current fiscal year. Total annual payroll expense was \$615,974.

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2014  
(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	\$ 5,991
Fraud recovery	<u>1,325</u>
Subtotal	\$ 7,316
Interfund	<u>15,156</u>
Total	<u><u>\$ 22,472</u></u>

Note 7 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	<u><u>\$ 57,635</u></u>
-------------------	-------------------------

Note 8 - Capital Assets

Balance as of June 30, 2014	\$ 9,360,763
Balance as of June 30, 2013	<u>9,584,996</u>
Net Increase (Decrease)	<u><u>\$ -224,233</u></u>

Reconciliation

Betterments and additions	\$ 301,750
Replacement of equipment	43,789
Current year depreciation expense	<u>-569,772</u> *
Net Increase (Decrease)	<u><u>\$ -224,233</u></u>

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2014  
(CONTINUED)**

Note 8 - Capital Assets (Continued)

<u>Analysis</u>	<u>07/01/2013 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>06/30/2014 Balance</u>
Land	\$ 400,156	\$ 0	\$ 0	\$ 400,156
Buildings	18,402,395	3,475,189	0	21,877,584
Equipment and furniture	1,423,994	43,789	0	1,467,783
Leasehold improvements	<u>3,173,439</u>	<u>0</u>	<u>3,173,439</u>	<u>0</u>
Total Assets	\$ 23,399,984	\$ 3,518,978	\$ 3,173,439	\$ 23,745,523
Accumulated depreciation	<u>-13,814,988</u>	<u>0</u>	<u>569,772</u>	* <u>-14,384,760</u>
Total	<u>\$ 9,584,996</u>	<u>\$ 3,518,978</u>	<u>\$ 3,743,211</u>	<u>\$ 9,360,763</u>

\* Current year depreciation recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 618
Other current liabilities	17,420
Tenants security deposits	<u>36,182</u>
Subtotal	\$ 54,220
Interfund	<u>15,156</u>
Total	<u>\$ 69,376</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, 2014  
(CONTINUED)**

Note 11 - Other Liabilities

Other liabilities consists of the following:

Current Portion:

Wages/payroll taxes payable	\$ 11,982
Compensated absences	32,248
Payment in lieu of taxes	47,958
Utilities payable	<u>150</u>
Total	<u>\$ 92,338</u>

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of June 30, 2014:

	<u>07/01/2013</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>06/30/2014</u> <u>Balance</u>
FSS escrow	<u>\$ 23,276</u>	<u>\$ 10,569</u>	<u>\$ 0</u>	<u>\$ 33,845</u>

Note 13 - Unearned Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 5,883</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, 2014  
(CONTINUED)**

Note 17 - Contracts/Commitments

As of June 30, 2014, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-13	\$ 392,812	\$ 297,249
CFP 501-14	<u>428,231</u>	<u>0</u>
Total	<u>\$ 821,043</u>	<u>\$ 297,249</u>

Note 18 - 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 19 - 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.

Note 20 - Restricted Net Position

Restricted net position is restricted for the following:

HAP	<u>\$ 47,441</u>
-----	------------------



## **SUPPLEMENTAL DATA**

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014**

<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-2014	FYE 06/30/14	\$ 693,400	\$ 693,400	\$ 693,400
Housing Choice Vouchers*	14.871	C-2064	FYE 06/30/14	\$ 1,296,187	\$ 1,296,187	\$ 1,296,187
Public Housing Capital Funds	14.872	C-2014	FYE 06/30/14	\$ 805,493	\$ 450,862	\$ 450,862
Total Housing Assistance				\$ 2,795,080	\$ 2,440,449	\$ 2,440,449

\*Denotes major program

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**PHA'S STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PROJECT IN36P002501-12**

1. The Actual Modernization Costs of Project IN36P002501-12 are as follows:

Funds approved	\$ 412,681
Funds expended	<u>412,681</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	\$ 412,681
Funds expended	<u>412,681</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost dated June 19, 2014, 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, 2014, 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 January 23, 2015.

**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**

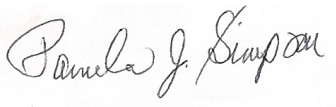
As part of obtaining reasonable assurance about whether the Vincennes Housing Authority's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 January 23, 2015.

**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.

Decatur, Illinois  
January 23, 2015

  
Certified Public Accountant



**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, 2014. 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, 2014.

## **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 January 23, 2015.

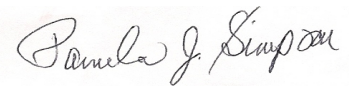
## **Report on Internal Control Over Compliance**

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  
January 23, 2015

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended June 30, 2013 contained no findings.



**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED JUNE 30, 2014**

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

*Financial Statements*

Type of auditor's report:

Unqualified

- |  |       |     |                |               |
|--|-------|-----|----------------|---------------|
| * Material weakness(es) identified?        | _____ | yes | <u>X</u> _____ | no            |
| * Significant deficiency (ies) identified? | _____ | yes | <u>X</u> _____ | none reported |

Noncompliance material to financial statements noted?	_____	yes	<u>X</u> _____	no
---	-------	-----	----------------	----

*Federal Awards*

Internal control over major programs:

- |  |       |     |                |               |
|--|-------|-----|----------------|---------------|
| * Material weakness(es) identified?        | _____ | yes | <u>X</u> _____ | no            |
| * Significant deficiency (ies) identified? | _____ | yes | <u>X</u> _____ | 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	<u>X</u> _____	no
--	-------	-----	----------------	----

**Identification of major programs:**

CFDA Number(s)

Name of Federal Program or Cluster

14.871

Housing Choice Vouchers

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 23, 2015.

**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 23, 2015.

**VINCENNES HOUSING AUTHORITY  
VINCENNES, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
JUNE 30, 2014**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Legal	4160	\$ 2,500.00		2806
Employee benefits - ins.	4540.40	1,541.58		2806
All other insurance	4510.40		\$ 4,041.58	2806
(To reclassify check #41460 for lawsuit settlement and checks written for life insurance)				

(2)				
Collection losses	4570	\$ 10,269.86		2806
Collection losses	4570	452.00		2806
Collection losses	4570	50.00		2806
Collection losses	4570	4,112.10		2806
Collection loss receivable	1123		\$ 10,269.86	1123
Collection loss receivable	1123		452.00	1123
Collection loss receivable	1123		50.00	1123
Collection loss receivable	1123		4,112.10	1123
(To write off receivables as approved by Board action)				

Voucher

(1)				
Fraud recovery losses	4800	\$ 3,818.31		2222
Fraud recovery losses	4800	3,818.30		2223
Fraud revenue - HAP income	----		\$ 2,853.81	2222
Fraud revenue - admin income	----		2,853.80	2223
FSS escrow forfeits - other inc.	3691		1,929.00	2222
(To adjust fraud loss to actual per approved write off and record fraud recovery income per analysis of cash receipts and new repayment agreements)				

(2)				
HAP payments	4715	\$ 3,503.22		2222
Misc. income - FSS forfeits	3691		\$ 3,503.22	2222
(To adjust miscellaneous income for FSS escrow forfeitures netted against HAP payments)				

## Vincennes Housing Authority (IN002)

VINCENNES, IN

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$522,176	\$1,516	\$105,804	\$12,848	\$642,344		\$642,344
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted		\$81,286			\$81,286		\$81,286
114 Cash - Tenant Security Deposits	\$36,182				\$36,182		\$36,182
115 Cash - Restricted for Payment of Current Liabilities	\$23,303				\$23,303		\$23,303
100 Total Cash	\$581,661	\$82,802	\$105,804	\$12,848	\$783,115	\$0	\$783,115
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous							
126 Accounts Receivable - Tenants	\$5,991				\$5,991		\$5,991
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		\$1,325			\$1,325		\$1,325
128.1 Allowance for Doubtful Accounts - Fraud		\$0			\$0		\$0
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$5,991	\$1,325	\$0	\$0	\$7,316	\$0	\$7,316
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$57,635				\$57,635		\$57,635
143 Inventories	\$39,388				\$39,388		\$39,388
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	\$684,175	\$84,127	\$120,960	\$12,848	\$902,110	-\$15,156	\$886,954
161 Land	\$400,156				\$400,156		\$400,156
162 Buildings	\$21,877,584				\$21,877,584		\$21,877,584
163 Furniture, Equipment & Machinery - Dwellings				\$42,090	\$42,090		\$42,090
164 Furniture, Equipment & Machinery - Administration	\$1,425,693				\$1,425,693		\$1,425,693
165 Leasehold Improvements							
166 Accumulated Depreciation	-\$14,346,335			-\$38,425	-\$14,384,760		-\$14,384,760
167 Construction in Progress							
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$9,357,098	\$0	\$0	\$3,665	\$9,360,763	\$0	\$9,360,763
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	\$9,357,098	\$0	\$0	\$3,665	\$9,360,763	\$0	\$9,360,763
200 Deferred Outflow of Resources							
290 Total Assets and Deferred Outflow of Resources	\$10,041,273	\$84,127	\$120,960	\$16,513	\$10,262,873	-\$15,156	\$10,247,717

## Vincennes Housing Authority (IN002)

VINCENNES, IN

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$618				\$618		\$618
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$11,982				\$11,982		\$11,982
322 Accrued Compensated Absences - Current Portion	\$32,248				\$32,248		\$32,248
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$47,958				\$47,958		\$47,958
341 Tenant Security Deposits	\$36,182				\$36,182		\$36,182
342 Unearned Revenue	\$5,883				\$5,883		\$5,883
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue							
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities	\$17,420				\$17,420		\$17,420
346 Accrued Liabilities - Other	\$150				\$150		\$150
347 Inter Program - Due To				\$15,156	\$15,156	-\$15,156	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$152,441	\$0	\$0	\$15,156	\$167,597	-\$15,156	\$152,441
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		\$33,845			\$33,845		\$33,845
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	\$33,845	\$0	\$0	\$33,845	\$0	\$33,845
300 Total Liabilities	\$152,441	\$33,845	\$0	\$15,156	\$201,442	-\$15,156	\$186,286
400 Deferred Inflow of Resources							
508.4 Net Investment in Capital Assets	\$9,357,098			\$3,665	\$9,360,763		\$9,360,763
511.4 Restricted Net Position		\$47,441			\$47,441		\$47,441
512.4 Unrestricted Net Position	\$531,734	\$2,841	\$120,960	-\$2,308	\$653,227		\$653,227
513 Total Equity - Net Assets / Position	\$9,888,832	\$50,282	\$120,960	\$1,357	\$10,061,431	\$0	\$10,061,431
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$10,041,273	\$84,127	\$120,960	\$16,513	\$10,262,873	-\$15,156	\$10,247,717

Vincennes Housing Authority (IN002)  
VINCENNES, IN  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$781,319				\$781,319		\$781,319
70400 Tenant Revenue - Other	\$68,344				\$68,344		\$68,344
70500 Total Tenant Revenue	\$849,663	\$0	\$0	\$0	\$849,663	\$0	\$849,663
70600 HUD PHA Operating Grants	\$802,885	\$1,296,187			\$2,099,072		\$2,099,072
70610 Capital Grants	\$341,377				\$341,377		\$341,377
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	\$1,158	\$196	\$197	\$5	\$1,556		\$1,556
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery		\$5,708			\$5,708		\$5,708
71500 Other Revenue	\$23,200	\$5,432		\$16,653	\$45,285		\$45,285
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted							
70000 Total Revenue	\$2,018,283	\$1,307,523	\$197	\$16,658	\$3,342,661	\$0	\$3,342,661
91100 Administrative Salaries	\$206,143	\$154,042			\$360,185		\$360,185
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	\$118,335				\$118,335		\$118,335
91600 Office Expenses	\$19,023				\$19,023		\$19,023
91700 Legal Expense	\$3,960				\$3,960		\$3,960
91800 Travel							
91810 Allocated Overhead							
91900 Other	\$54,073	\$106		\$8,473	\$62,652		\$62,652
91000 Total Operating - Administrative	\$407,534	\$155,392	\$0	\$8,473	\$571,399	\$0	\$571,399
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	\$4,527				\$4,527		\$4,527
92500 Total Tenant Services	\$4,527	\$0	\$0	\$0	\$4,527	\$0	\$4,527

Vincennes Housing Authority (IN002)  
VINCENNES, IN  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
93100 Water	\$109,783				\$109,783		\$109,783
93200 Electricity	\$166,945				\$166,945		\$166,945
93300 Gas	\$95,347				\$95,347		\$95,347
93400 Fuel							
93500 Labor							
93600 Sewer							
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$372,075	\$0	\$0	\$0	\$372,075	\$0	\$372,075
94100 Ordinary Maintenance and Operations - Labor	\$295,888			\$729	\$296,617		\$296,617
94200 Ordinary Maintenance and Operations - Materials and Other	\$128,250				\$128,250		\$128,250
94300 Ordinary Maintenance and Operations Contracts	\$119,445				\$119,445		\$119,445
94500 Employee Benefit Contributions - Ordinary Maintenance	\$211,498				\$211,498		\$211,498
94000 Total Maintenance	\$755,081	\$0	\$0	\$729	\$755,810	\$0	\$755,810
95100 Protective Services - Labor	\$5,265				\$5,265		\$5,265
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$5,265	\$0	\$0	\$0	\$5,265	\$0	\$5,265
96110 Property Insurance	\$53,317				\$53,317		\$53,317
96120 Liability Insurance	\$14,912				\$14,912		\$14,912
96130 Workmen's Compensation	\$11,625	\$2,402			\$14,027		\$14,027
96140 All Other Insurance	\$24,977				\$24,977		\$24,977
96100 Total insurance Premiums	\$104,831	\$2,402	\$0	\$0	\$107,233	\$0	\$107,233
96200 Other General Expenses							
96210 Compensated Absences	\$42,043				\$42,043		\$42,043
96300 Payments in Lieu of Taxes	\$28,699				\$28,699		\$28,699
96400 Bad debt - Tenant Rents	\$17,465				\$17,465		\$17,465
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$88,207	\$0	\$0	\$0	\$88,207	\$0	\$88,207
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	\$1,737,520	\$157,794	\$0	\$9,202	\$1,904,516	\$0	\$1,904,516
97000 Excess of Operating Revenue over Operating Expenses	\$280,763	\$1,149,729	\$197	\$7,456	\$1,438,145	\$0	\$1,438,145

Vincennes Housing Authority (IN002)  
VINCENNES, IN  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$51,953				\$51,953		\$51,953
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments		\$1,221,908			\$1,221,908		\$1,221,908
97350 HAP Portability-In							
97400 Depreciation Expense	\$565,275			\$4,497	\$569,772		\$569,772
97500 Fraud Losses		\$6,981			\$6,981		\$6,981
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$2,354,748	\$1,386,683	\$0	\$13,699	\$3,755,130	\$0	\$3,755,130
10010 Operating Transfer In	\$63,999				\$63,999	-\$63,999	\$0
10020 Operating transfer Out	-\$63,999				-\$63,999	\$63,999	\$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	-\$336,465	-\$79,160	\$197	\$2,959	-\$412,469	\$0	-\$412,469
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$10,225,297	\$129,442	\$120,763	-\$1,602	\$10,473,900		\$10,473,900
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		\$2,841			\$2,841		\$2,841
11180 Housing Assistance Payments Equity		\$47,441			\$47,441		\$47,441
11190 Unit Months Available	4164	4164			8328		8328
11210 Number of Unit Months Leased	4116	3564			7680		7680
11270 Excess Cash	\$294,209				\$294,209		\$294,209
11610 Land Purchases	\$0				\$0		\$0
11620 Building Purchases	\$301,750				\$301,750		\$301,750
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$42,774				\$42,774		\$42,774
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, 2014, 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 judgments 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 or 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.

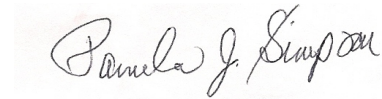
Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the 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 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.
2. While reviewing the "collection loss receivable" account, it appears that write offs are not being done timely. A periodic review of receivable (no less than quarterly) should be performed to determine the likelihood that the balances still remain collectible. If deemed unlikely to be collected they should be written off as a loss.

3. While reviewing the trade in of two vehicles and the purchase of a new truck, I determined that the two traded vehicles were not on your detailed depreciation schedule. A complete physical inventory should be taken of all assets. The physical counts must then be reconciled to the depreciation schedule and the control accounts to determine that all assets are properly recorded.
4. The PILOT calculation was made incorrectly at the end of the fiscal year. The storm water bills were included in the calculation of utility expense as well as taken as a credit against the calculated liability. Year end calculations should be checked for accuracy before making the final adjustment/payment.
5. Generally accepted accounting principles require that the Housing Authority adopt a policy regarding the establishment and recording of an allowance for doubtful accounts. An established policy will provide a uniform and consistent method of recording those accounts that may not be collected.
6. The comparison of VMS information and the financial statements revealed that FSS forfeitures and fraud recovery amounts were being "netted" in other income and expense accounts. FSS forfeitures and fraud recoveries should be recorded in separate accounts as required by HUD reporting.

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.



Decatur, Illinois  
January 23, 2015

Certified Public Accountant