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May 29, 2014

Board of Directors
Mount Vernon Housing Authority
1500 Jefferson Drive
Mount Vernon, IN 47620

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Mount Vernon Housing Authority, as of December 31, 2008 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

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

TWELVE MONTHS ENDED DECEMBER 31, 2008

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

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PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

Board of Directors
Housing Authority City of Mt. Vernon
Mt. Vernon, Indiana

I have audited the accompanying financial statements of Housing Authority City of Mt. Vernon, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority City of Mt. Vernon, as of December 31, 2008 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 9, 2009, on my consideration of the Housing Authority City of Mt. Vernon's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

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

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

Certified Public Accountant

Decatur, Illinois
September 9, 2009

Management's Discussion and Analysis

As management of the Housing Authority of the City of Mt Vernon, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of the City of Mt Vernon.

Overview of the Financial Statements

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

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

Our analysis of the Authority as a whole begins on the next page. The most important question asked about the Authorities finances is "Is the Authority as a whole better or worse off as a result of the year's activities?"

The attached analysis of entity wide net assets, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net assets and changes in them. One can think of the Authority's net assets as the difference between what the Authority own's (assets) to what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority.

Over time, significant changes in the Authorities net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authorities capital assets.

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does. The following is a brief description of the programs and services that the Authority provides for the residents of Mt Vernon:

Low Income Public Housing (LIPH)

The Housing Authority owns 84 units in Mt Vernon. The Authority is responsible for the management, maintenance and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants.

Section 8 Housing Choice Vouchers (Section 8 Vouchers)

HUD has contracted with the Housing Authority support for 203 Housing Choice Vouchers. The Authority pays Housing Assistance Payments to Landlords for Low Income tenants. The Housing Assistance Payment matches the difference between the total rent that the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

Capital Fund/Comprehensive Grant Program (CFP/CGP)

These grant programs are awarded by HUD on an annual basis. The purpose of these grants is to improvement the Authority's sites and the management of the Authority. The Authority requisitions funds from HUD as the Authority expends funds. The Authority is permitted four years to full expend an annual award.

Future Events (New Business)

There are no future events planned by the Authority during the fiscal year ending December 31, 2008 that will significantly affect the Authority's Net Assets either positively or negatively.

Condensed Comparative Financial Statements

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

Total Assets for FYE 2008 was \$2,064,032 and at FYE 2007 the amount was \$2,171,298. This represents a net decrease of \$107,266.

Cash decreased by \$153,856 or 41%. Cash decreased because of higher expenses.

Other Current Assets increased by \$13,688. The increase is due to increase in accounts receivable and inventory.

Capital Assets increased by \$32,902. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased by 8%.

The table on the below illustrates our analysis:

	2008	2007	Net Change	Percent Variance
Cash	219,877	373,733	-153,856	-41.2%
Other Current Assets	27,722	14,034	13,688	97.5%
Capital Assets	1,816,433	1,783,531	32,902	1.8%
Non Current Assets	0	0	0	0.0%
Total Assets	2,064,032	2,171,298	-107,266	-4.9%
Current Liabilities	60,729	56,196	4,533	8.1%
Long Term Liabilities	1,846	7,384	-5,538	-75.0%
Total Liabilities	62,575	63,580	-1,005	-1.6%
Net Invested in Capital Assets	1,816,433	1,770,607	45,826	2.6%
Restricted Net Assets	32,785	145,026	-112,241	-77.4%
Unrestricted Net Assets	152,239	192,085	-39,846	-20.7%
Total Net Assets	2,001,457	2,107,718	-106,261	-5.0%

HOUSING AUTHORITY OF THE CITY OF MT. VERNON
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FISCAL YEAR ENDING DECEMBER 31, 2008

Analysis of Entity Wide Revenues (Statement of Activities)

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

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$386,055
Section 8 Vouchers	\$848,008
Capital Fund	\$153,072

Total revenues for Fiscal Year Ending December 31, 2008 were \$1,387,135 as compared to the total revenues for Fiscal Year Ending December 31, 2007 of \$1,336,462. Comparatively, Fiscal Year Ending 2008 revenues were more than Fiscal Year Ending 2007 revenues by \$50,673.

Total Tenant Revenue	263,146	244,775	18,371	8%
HUD Grants	1,109,954	1,070,518	39,436	4%
Investment Income	3,870	7,082	-3,212	-45%
Other Revenue	<u>10,165</u>	<u>14,087</u>	<u>-3,922</u>	<u>-28%</u>
Total Revenue	<u><u>1,387,135</u></u>	<u><u>1,336,462</u></u>	<u><u>50,673</u></u>	<u><u>4%</u></u>

HOUSING AUTHORITY OF THE CITY OF MT. VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2008

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Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending December 31, 2008 were \$1,493,396 as compared to \$1,332,590 of total expenditures for Fiscal Year Ending December 31, 2007. Comparatively, Fiscal Year Ending 2008 expenditures were less than Fiscal Year Ending 2007 expenditures by \$160,806. Changes by major expense category will be presented below.

Administrative expenditures increased by \$3,275 or 2%. The major cause for this increase is the higher amount for employee benefits.

Tenant Services expenditures increased by \$47 or 2%.

Utilities increased by \$3,739 or 4%.

Maintenance expenditures increased by \$27,228 or 24%. The major cause for this increase is an increase of maintenance contracts.

Housing Assistance Payments increased by \$123,236 or 17%. Leased units for the Voucher Program increased by 165 units or 7% from Fiscal Year 2007.

The table on the below illustrates our analysis:

	2008	2007	Net Change	Percent Variances
Administrative	205,181	201,906	3,275	2%
Tenant Services	2,615	2,568	47	2%
Utilities	94,987	91,248	3,739	4%
Maintenance	142,282	115,054	27,228	24%
General Expense	42,411	41,570	841	2%
Housing Assistance Payments	865,925	742,689	123,236	17%
Depreciation Expense	139,995	137,555	2,440	2%
Total Expenses	<u><u>\$1,493,396</u></u>	<u><u>\$1,332,590</u></u>	<u><u>\$160,806</u></u>	<u><u>12%</u></u>

Budgetary Analysis

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

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

Housing Authority Budgetary Highlights

Results of Operations

Management prepared a budget that anticipated a surplus of \$11,251 actual results were a loss of \$106,261.

Tenant Rental Revenues were \$263,146. Units leased for the Public Housing Program decreased by less than 1%.

HUD Operating Grants were \$956,882.

Other Income was \$10,165.

Administrative Expenses were \$205,181.

Utilities were \$94,987. Electricity costs were higher than anticipated due to a colder winter. Water and sewer costs were lower than anticipated.

Housing Assistance Payments were over HUD approved HAP fund monies by \$109,951 or 12%. The Authority was under leased by 13% of approved units but costs were much higher.

HOUSING AUTHORITY OF THE CITY OF MT. VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2008

	Budget	Actual	Variance	Percent Variances
Tenant Revenue	269,670	263,146	6,524	3%
HUD Operating Grants	956,309	956,882	-573	0%
HUD Capital Grants	153,072	153,072	0	0%
Investment Income	1,800	3,870	-2,070	-54%
Other Revenue	5,300	10,165	-4,865	-48%
Total Revenue	<u>1,386,151</u>	<u>1,387,135</u>	<u>-984</u>	<u>0%</u>
Administrative	100,180	205,181	-105,001	-51%
Tenant Services	2,650	2,615	35	1%
Utilities	87,000	94,987	-7,987	-8%
Maintenance	140,440	142,282	-1,842	-1%
General Expense	42,270	42,411	-141	0%
Housing Assistance Payments	865,925	865,925	0	0%
Depreciation Expenses	136,435	139,995	-3,560	-3%
Total Expenses	<u>1,374,900</u>	<u>1,493,396</u>	<u>-118,496</u>	<u>-8%</u>
Net Income/(Loss)	<u>11,251</u>	<u>-106,261</u>	<u>117,512</u>	

HOUSING AUTHORITY OF THE CITY OF MT. VERNON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2008

ANALYSIS OF CAPITAL ASSET ACTIVITY

Buildings decreased by \$21,333 or 1% due to a reclassification of improvements.

Furniture, Equipment & Machinery – Dwelling did not change from the prior year.

Furniture, Equipment & Machinery – Administration increased by a net amount \$54,132 or 62%. The following is a list of the assets purchased under this category during the fiscal year ending December 31, 2008:

Computer Software	19,825
Air Conditioners	2,634
Washers/Dryers	7,715
Camera System	22,072

Accumulated Depreciation increased by \$131,395 or 6%. This is the amount of current year depreciation expense.

	2008	2007	Net Change	Percent Variance
Land	322,428	322,428	0	0.0%
Buildings	1,671,882	1,693,215	-21,333	-1.3%
Furniture, Equipment, & Machinery - Dwelling	52,928	52,928	0	0.0%
Furniture, Equipment, & Machinery - Administrative	140,207	86,075	54,132	62.9%
Leasehold Improvements	1,929,356	1,834,567	94,789	5.2%
Construction in Process	113,355	76,646	36,709	47.9%
Total Fixed Assets	4,230,156	4,065,859	164,297	4.0%
Accumulated Depreciation	2,413,723	2,282,328	131,395	5.8%
Net Fixed Assets	1,816,433	1,783,531	32,902	1.8%

OUTSTANDING DEBT

The Housing Authority has an outstanding interest free loan on a vehicle purchase. During 2008 the Housing Authority retired \$5,539 of that debt.

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2008**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 187,092
Accounts receivable (interfund eliminated)	9,558
Accrued interest receivable	367
Inventory	12,525
Deferred charges	<u>5,272</u>

Total Current Assets \$ 214,814

RESTRICTED ASSETS

Cash - restricted	<u>\$ 32,785</u>
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Total Restricted Assets \$ 32,785

CAPITAL ASSETS

Land, buildings and equipment	\$ 4,230,156
Less: Accumulated depreciation	<u>-2,413,723</u>

Net Capital Assets \$ 1,816,433

Total Assets \$ 2,064,032

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 32,235
Notes payable	5,539
Accrued liabilities	22,623
Deferred revenue	<u>332</u>

Total Current Liabilities \$ 60,729

NONCURRENT LIABILITIES

Notes payable	<u>\$ 1,846</u>
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Total Noncurrent Liabilities \$ 1,846

NET ASSETS

Invested in capital assets	\$ 1,816,433
Restricted	32,785
Unrestricted	<u>152,239</u>

Total Net Assets \$ 2,001,457

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

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
DECEMBER 31, 2008**

Operating Income

Tenant rental revenue	\$ 262,433
Tenant revenue - other	<u>713</u>
Total Rental Income	\$ 263,146
HUD grants - operating	956,882
Other income	<u>10,165</u>
Total Operating Income	<u>\$ 1,230,193</u>

Operating Expenses

Administration	\$ 205,181
Tenant services	2,615
Utilities	94,987
Ordinary maintenance and operation	142,282
General expense	42,411
Housing assistance payments	865,925
Depreciation expense	<u>139,995</u>
Total Operating Expenses	<u>\$ 1,493,396</u>
Net Operating Income (Loss)	\$ -263,203

Nonoperating Income (Expense)

Interest income	3,870
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Capital Contributions

Capital fund grants	<u>153,072</u>
Changes in net assets	\$ -106,261
Net assets, beginning of year	<u>2,107,718</u>
Net assets, end of year	<u><u>\$ 2,001,457</u></u>

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

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2008**

Operating Activities

Operating grants	\$ 949,578
Tenant revenue	260,993
Other revenue	10,165
Housing assistance payments	-865,925
Payments to employees	-157,653
Payments to suppliers and contractors	<u>-330,434</u>

Net Cash Provided (Used) by Operating Activities \$ -133,276

Investing Activities

Interest income	<u>\$ 4,784</u>
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Net Cash Provided (Used) by Investing Activities \$ 4,784

Capital and Related Financing Activities

Capital fund grants	\$ 153,072
Additions (deletions) to fixed assets	-172,897
Issuance (retirement) of debt	<u>-5,539</u>

Net Cash Provided (Used)
by Capital and Related Financing Activities \$ -25,364

Net Change in Cash \$ -153,856

Cash Balance at December 31, 2007 373,733

Cash Balance at December 31, 2008 \$ 219,877

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2008**

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

Net operating income (loss)	\$ -263,203
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	139,995
(Increase) decrease in accounts receivable	-9,457
(Increase) decrease in deferred charges	-959
(Increase) decrease in inventories	-4,186
Increase (decrease) in accounts payable	2,553
Increase (decrease) in accrued liabilities	1,820
Increase (decrease) in deferred revenues	<u>161</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -133,276</u>

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

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008**

Note 1 - Summary of Significant Accounting Policies

(a) Organization -

The Housing Authority City of Mt. Vernon was established by the City of Mt. Vernon 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 Mt. Vernon and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority City of Mt. Vernon 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.

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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

(d) Funds -

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

- * Low Rent Public Housing
- * Section 8 Choice Vouchers
- * Capital Fund Program

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

Although a formal policy has not been adopted, for purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. Highly liquid is defined as those investments that have a maturity date of less than one month at the date of purchase.

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2008, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) 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 one thousand dollars (\$1,000) 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 - 10	years
Transportation equipment	5	years
Leasehold improvements	15	years

(h) Income Tax -

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

(i) 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.

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

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

Note 2 - Cash and Investments

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

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

Custodial Credit Risk

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

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.

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 2 - Cash and Investments

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	\$ 67,064	\$ 81,446
Voucher	<u>152,813</u>	<u>154,304</u>
Total	<u>\$ 219,877</u>	<u>\$ 235,750</u>

Note 3 - Compensated Absences

Annual leave will be computed on the basis of an employee's regular wage or salary for a comparable work period. Terminating employees who comply with the advance notice requirement when resigning will be paid for unused annual leave which has been posted to the account. The Housing Authority City of Mt. Vernon requires all employees to take their annual/vacation leave each year as earned for the purpose of rest and relaxation; with no carryover of days.

Employees shall begin accruing sick leave at the rate of one (1) day per month, after they have satisfactorily completed probation period. Sick leave may be accumulated not to exceed thirty (30) days. In no event shall an employee be paid for sick leave not taken.

Note 4 - Defined Contribution Plan

The Authority has established a pension plan with voluntary enrollment for all regular full-time employees. After the probationary period is completed the employee may participate with the minimum of \$10 per pay period. The Authority participates for each employee that enrolls an amount set at annual budget hearing minimum of \$5 per pay period. Investment of the pension plan is up to each employee. Employees contributed \$4,355, while the Authority contributed \$1,170 for the fiscal year.

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 2,153
Accounts receivable - other	101
Accounts receivable - HUD	<u>7,304</u>
Subtotal	\$ 9,558
Interfund	<u>112,199</u>
Total	<u>\$ 121,757</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 5,272</u>
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Note 7 - Fixed Assets

Balance as of December 31, 2008	\$ 1,816,433
Balance as of December 31, 2007	<u>1,783,531</u>
Net Increase (Decrease)	<u>\$ 32,902</u>

Reconciliation

Additions	\$ 172,897
Current year depreciation expense	<u>-139,995</u> *
Net Increase (Decrease)	<u>\$ 32,902</u>

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 7 - Fixed Assets (Continued)

<u>Analysis</u>	01/01/2008 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	12/31/2008 <u>Balance</u>
Land	\$ 322,428	\$ 0	\$ 0	\$ 322,428
Buildings	1,693,215	0	21,333	1,671,882
Equipment	139,003	54,132	0	193,135
Leasehold improvements	1,834,567	103,389	8,600	1,929,356
Construction in progress	<u>76,646</u>	<u>36,709</u>	<u>0</u>	<u>113,355</u>
Total	\$ 4,065,859	\$ 194,230	\$ 29,933	\$ 4,230,156
Accumulated depreciation	<u>-2,282,328</u>	<u>-139,995</u>	* <u>-8,600</u>	<u>-2,413,723</u>
Total	<u>\$ 1,783,531</u>	<u>\$ 54,235</u>	<u>\$ 21,333</u>	<u>\$ 1,816,433</u>

*Current year depreciation expense recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 15,843
Tenants security deposits	11,961
Payroll taxes payable	<u>4,431</u>
Subtotal	\$ 32,235
Interfund	<u>112,199</u>
Total	<u>\$ 144,434</u>

Note 9 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued compensated absences	\$ 5,114
Payment in lieu of taxes	<u>17,509</u>
Total	<u>\$ 22,623</u>

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 10 - Deferred Revenue

This classification consists of the following accounts:

Prepaid rent	<u>\$ 332</u>
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Note 11 - Long Term Debt

The Housing Authority financed a 2007 Chevy Equinox for \$16,717.24. There were 36 payments of \$461.59 due the 18th of each month starting May 18, 2007 at zero interest.

Debt service requirements for the long term debt for the next five years are as follows:

<u>Due Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 5,539	\$ 0
2010	1,846	0
2011	0	0
2012	0	0
2013	0	0
Thereafter	0	0

Note 12 - 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 was based on a variable rate determined by HUD annually.

Note 13 - Allocation of Costs

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

Note 14 - Contingencies

Federal Grants

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

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 15 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure to 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 coverages in the current or past three years.

Note 16 - Economic Dependency

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

SUPPLEMENTAL DATA

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing	14.850a	C-2006	FYE 12/31/08	\$ 111,034	\$ 111,034	\$ 111,034
Public Housing - Capital Funds	14.872	C-2006	FYE 12/31/08	\$ 261,963	\$ 153,072	\$ 153,072
Housing Choice Voucher Program*	14.871	C-2006V	FYE 12/31/08	\$ 845,848	\$ 845,848	\$ 845,848
Total Housing Assistance				<u>\$ 1,218,845</u>	<u>\$ 1,109,954</u>	<u>\$ 1,109,954</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED DECEMBER 31, 2008**

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

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P037501-06**

1. The Actual Modernization Costs of Phase IN36P037501-06 are as follows:

Funds approved	\$ 86,577
Funds expended	<u>86,577</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 86,577
Funds expended	<u>86,577</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 September 10, 2008, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Commissioners
Housing Authority City of Mt. Vernon
Mt. Vernon, Indiana

I have audited the financial statements of the governmental activities of Housing Authority City of Mt. Vernon as of and for the year ended December 31, 2008, which collectively comprise the Housing Authority City of Mt. Vernon's basic financial statements and have issued my report thereon dated September 9, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

I noted certain matters that we reported to management of Housing Authority City of Mt. Vernon, in a separate letter dated September 9, 2009.

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

Decatur, Illinois
September 9, 2009



Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

Board of Commissioners
Housing Authority City of Mt. Vernon
Mt. Vernon, Indiana

Compliance

I have audited the compliance of Housing Authority City of Mt. Vernon with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Housing Authority City of Mt. Vernon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority City of Mt. Vernon's management. My responsibility is to express an opinion on Housing Authority City of Mt. Vernon's compliance based on my audit.

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

In my opinion, Housing Authority City of Mt. Vernon complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008. However, the results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority City of Mt. Vernon in a separate letter dated September 9, 2009.

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

Decatur, Illinois
September 9, 2009



Certified Public Accountant

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2007 contained no findings.

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2008**

Section I - Summary of Auditor's Results

Low Risk Auditee _____ yes no

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes no

* Significant deficiency(ies) identified that are not
considered to be material weaknesses? _____ yes none reported

Noncompliance material to financial statements noted _____ yes no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes no

* Significant deficiency(ies) identified that are not
considered to be material weaknesses? _____ yes none reported

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

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

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

Housing Choice Voucher Program 14.871

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Audit Findings

There were no financial statement audit findings discussed with Terri Austin, Executive Director, during the course of the audit or at an exit conference held September 9, 2009.

Section III - Federal Award Audit Findings

There were no federal award audit findings discussed with Terri Austin, Executive Director, during the course of the audit or at an exit conference held September 9, 2009.

**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2008**

<u>Low Rent</u>	<u>Audit</u> <u>Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting</u> <u>Account Number</u>
(1)				
Property insurance	4510.01	\$ 2,919.35		2806.512
Insurance expense	4510		\$ 780.97	2806.512
Prepaid insurance	1211		2,138.38	1211
(To adjust accounts per property insurance premium from 2/1/08 to 2/1/09 and position bond paid in FYE 2007 from 3/1/07 to 3/1/10)				

Voucher

(1)				
Admin subsidy	3410.012		\$ 573.00	2810.002
Accounts receivable - HUD	----	\$ 573.00		----
(To record 12/31/08 receivable for calendar year admin fees earned)				

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Board of Commissioners
Housing Authority City of Mt. Vernon
Mt. Vernon, Indiana

In planning and performing my audit of the financial statements of the Housing Authority of Mt. Vernon as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Mt. Vernon 's internal control. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Mt. Vernon '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. During my review of insurance coverage, I noted that the Housing Authority maintains a 'position' surety bond. While this type of bond coverage is allowable, it only provides surety coverage for those individuals/positions named in the bond. The Housing Authority also has a small blanket bond for surety/bonding insurance purposes. The Housing Authority should look to increase limits of the blanket bond to between \$50,000 and \$75,000 with no exclusions.
2. It was noted that at the end of the current fiscal year, some employees were given special permission to carry over accrued time off to the subsequent fiscal year. The liability was properly recorded in the financial statements, but a complete detailed calculation could not be provided. All accounts and amounts recorded in the financial statements must be fully supported.

3. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
4. During the preparation of financial statements, the housing authority has designated certain revenues and certain expenditures as 'operating' revenues or 'operating' expenditures and other accounts are designated as 'non operating'. I suggest that the Housing Authority adopt a formal policy that coincides with the current practice.
5. Management needs to review their procedures in anticipating earned income for the calculation of rent and housing assistance payments and the related quality control reviews of those files. During my review of Section 8 participant files several immaterial discrepancies were noted in the calculation of anticipated income. In these instances, the discrepancy related to inconsistent methods of anticipating income in different files. Consistent methods should be applied in each file.

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

Decatur, Illinois
September 9, 2009



Certified Public Accountant