



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B43543

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

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

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, 2009 to December 31, 2009. 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, 2009 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, 2009

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

TABLE OF CONTENTS

Auditor's Report 1

Management's Discussion and Analysis 3

FINANCIAL STATEMENTS

Statement of Net Assets as of December 31, 2009 10

Statement of Revenues, Expenditures and Changes in Net Assets - Proprietary Funds
Twelve Months Ended December 31, 2009 11

Statement of Cash Flows - Twelve Months Ended December 31, 2009 12

Notes to Financial Statements 13

SUPPLEMENTAL DATA

Schedule of Expenditure of Federal Awards 25

PHA's Statement and Certification of Actual Modernization Cost -
Phase IN36P037501-06 26

Auditor's Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards 27

Auditor's Report on Compliance With Requirements Applicable to Each Major
Program and Internal Control Over Compliance in Accordance With
OMB Circular A-133 29

Status of Prior Audit Findings 31

Schedule of Findings and Questioned Costs - Summary 32

Current Findings, Recommendations and Replies 33

Schedule of Adjusting Journal Entries 34

Financial Data Schedule - Electronic Submission 35

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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, 2009, 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, 2009 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 August 24, 2010, 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 9, 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.

Decatur, Illinois
August 24, 2010



Certified Public Accountant

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2009**

This section of the Housing Authority of the City of Mt. Vernon, Indiana (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on December 31, 2009. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

- The term "net assets" refers to the difference between assets and liabilities. The Authority's total net assets as of December 31, 2009 were \$2,091,226. The net assets increased by \$89,769, an increase of 4.5% over the prior year.
- Revenues for the Authority were \$1,511,028 for the year ended December 31, 2009. This was an increase of \$123,893 or 8.9% over the prior year.
- Expenses for the Authority were \$1,421,259 for the year ended December 31, 2009. This was a decrease of \$72,137 or 4.8% from the prior year.
- Rental revenue for the Authority was \$279,563 for the year ended December 31, 2009, an increase of \$16,417 or 6.2% over the prior year. HUD operating grants for the Authority was \$1,108,736 for the year ended December 31, 2009, an increase of \$151,854 or 15.9% over the prior year. HUD capital grants for the Authority was \$107,718 for the year ended December 31, 2009, a decrease of \$45,354 or 29.6% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Financial Statements

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Data*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2009 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$2,091,226 at the close of the year ended December 31, 2009 up from \$2,001,457 in fiscal year 2008. The increase in net assets of \$89,769 was due to the reasons noted below.

- Current assets include cash, investments, receivables, and prepaid expenses. Of the \$94,068 increase in this category, cash and investments increased \$81,430, receivables increased \$15,138 prepaid expenses decreased \$2,703, and materials inventory increased \$443.
- Restricted assets consist of cash and investments and increased \$93,997 over FY 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2009**

FINANCIAL ANALYSIS (CONTINUED)

- Capital assets decreased \$14,228 because current year depreciation expense exceeded capital asset additions. Change in capital assets is explained in section titled "Capital Assets" of this analysis.
- Current liabilities increased \$82,001 mainly due to an increase in deferred revenue for January 2010 HAP & Admin fees that were paid to the PHA in FY 2009.
- Noncurrent liabilities increased \$2,067 due to an increase in noncurrent portion of accrued compensated absences.

The unrestricted net assets were \$167,435 as of December 31, 2009. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays, excluding housing assistance, for four months. The restricted net assets resulting from excess Housing Choice Voucher HAP funding were \$123,432 as of December 31, 2009. This amount may only be used for housing assistance payments. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

CONDENSED STATEMENTS OF NET ASSETS

	<u>FY 2009</u>	<u>FY 2008</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 308,882	\$ 214,814	\$ 94,068	43.8%
Restricted assets	126,782	32,785	93,997	286.7%
Capital assets	1,802,205	1,816,433	(14,228)	-0.8%
Total Assets	<u>2,237,869</u>	<u>2,064,032</u>	<u>173,837</u>	8.4%
Current liabilities	142,730	60,729	82,001	135.0%
Noncurrent liabilities	3,913	1,846	2,067	112.0%
Total Liabilities	<u>146,643</u>	<u>62,575</u>	<u>84,068</u>	134.3%
Net Assets				
Invested in capital assets, net of related debt	1,800,359	1,816,433	(16,074)	-0.9%
Restricted	123,432	32,785	90,647	276.5%
Unrestricted	167,435	152,239	15,196	10.0%
Total Net Assets	<u>\$ 2,091,226</u>	<u>\$ 2,001,457</u>	<u>\$ 89,769</u>	4.5%

The largest portion of the Authority's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2009**

FINANCIAL ANALYSIS (CONTINUED)

The 2007 approved capital grant (501-07) totals \$88,621 and was 100.0% expended as of December 31, 2009. The following is a summary of individual grant line items, budget amount, percent expended as of 12/31/09, and development account:

<u>Line No.</u>	<u>Amount</u>	<u>Percent</u>	<u>Development Account</u>
1460	\$ 61,621	100.0%	Dwelling Structures
1475	\$ 27,000	100.0%	Non-Dwelling Equipment

The 2008 approved capital grant (501-08) totals \$86,764 and was 96.1% expended as of December 31, 2009. The following is a summary of individual grant line items, budget amount, percent expended as of 12/31/09, and development account:

<u>Line No.</u>	<u>Amount</u>	<u>Percent</u>	<u>Development Account</u>
1450	\$ 18,722	100.0%	Site Improvements
1460	\$ 61,242	94.5%	Dwelling Structures
1475	\$ 6,800	100.0%	Non-Dwelling Equipment

The 2009 approved capital fund stimulus grant (ARRA) totals \$109,826 and was 73.1% expended as of December 31, 2009. The following is a summary of individual grant line items, budget amount, percent expended as of 12/31/09, and development account:

<u>Line No.</u>	<u>Amount</u>	<u>Percent</u>	<u>Development Account</u>
1410	\$ 1,500	100.0%	Administration
1460	\$ 108,326	72.8%	Dwelling Structures

The 2009 approved capital grant (501-09) totals \$86,311 and was 8.1% expended as of December 31, 2009. The following is a summary of individual grant line items, budget amount, percent expended as of 12/31/09, and development account:

<u>Line No.</u>	<u>Amount</u>	<u>Percent</u>	<u>Development Account</u>
1406	\$ 7,000	100.0%	Operations
1460	\$ 61,000	0.0%	Dwelling Structures
1475	\$ 18,311	0.0%	Non-Dwelling Equipment

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table on the following page, total revenues increased \$120,528 due to the reasons noted below.

- Rental revenue increased \$16,417 or 6.2% primarily due to an increase in the average rent charge per unit under lease of \$12.62 or 4.8%.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2009**

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

	<u>FY 2009</u>	<u>FY 2008</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Operating - non-operating - capital contributions:				
Rental income	\$ 279,563	\$ 263,146	\$ 16,417	6.2%
HUD operating grants	1,108,736	956,882	151,854	15.9%
Other income	13,780	10,165	3,615	35.6%
Interest income	1,231	3,870	(2,639)	-68.2%
HUD capital fund grants	107,718	153,072	(45,354)	-29.6%
Total Revenues	<u>1,511,028</u>	<u>1,387,135</u>	<u>123,893</u>	<u>8.9%</u>
Expenses				
Administration	178,343	205,181	(26,838)	-13.1%
Tenant services	2,049	2,615	(566)	-21.6%
Utilities	105,350	94,987	10,363	10.9%
Ordinary maintenance & operation	132,479	142,282	(9,803)	-6.9%
General expense	46,761	42,411	4,350	10.3%
Depreciation	155,996	139,995	16,001	11.4%
Housing assistance payments	800,281	865,925	(65,644)	-7.6%
Total Expenses	<u>1,421,259</u>	<u>1,493,396</u>	<u>(72,137)</u>	<u>-4.8%</u>
Change in net assets	89,769	(106,261)	196,030	
Beginning net assets	2,001,457	2,107,718	(106,261)	
Ending net assets	<u>\$ 2,091,226</u>	<u>\$ 2,001,457</u>	<u>\$ 89,769</u>	

- Of the \$151,854 increase in HUD operating grants, Low Rent operating subsidy received from HUD increased \$16,887, housing choice voucher program assistance received from HUD increased \$126,467, and capital fund grants used for operating expenditures increased \$8,500.
- Other income increased \$3,615 or 35.6% mainly due to an increase in revenue from fraud recovery.
- Interest income decreased \$2,639 or 68.2% due to lower interest rates on deposit accounts.
- HUD capital grant revenue decreased \$45,354 from FY 2008. The Authority is allocated capital fund grants each year as determined by HUD and the amount remains relatively consistent from year to year. HUD capital grant revenues during the year will depend upon timing of projects as outlined in the HUD approved capital grant budget. The Authority was also awarded a \$109,826 Capital Fund Stimulus Recovery Grant for which it earned \$80,325 during FY 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2009**

FINANCIAL ANALYSIS (CONTINUED)

Total expenses decreased \$72,137 due to the reasons noted below.

- Administration decreased \$26,838 or 13.8% from FY 2008 primarily due to a decrease in other administrative expenses.
- Tenant services decreased \$566 or 21.6% from FY 2008.
- Of the \$10,363 increase in utilities, water & sewer increased \$3,026 or 23.7%, and electricity increased \$7,337 or 8.9%.
- Ordinary maintenance and operation decreased \$9,803 or 6.9% mainly due to a decrease in contracted maintenance services.
- General expense increased \$4,350 or 10.3% mostly due an increase in expense for bad debts.
- The Authority had a \$16,001 or 11.4% increase in depreciation which is the write-off of capital assets over their estimated useful life.
- Housing assistance payments decreased \$65,644 or 7.6% due to a 8.2% decrease in the number of vouchers issued and outstanding during the current fiscal year.

The Public Housing occupancy rate for fiscal year ended December 31, 2009 was 99.8%, down slightly from 99.9% in FY 2008.

The Authority is authorized to assist 203 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease-up rate for FY 2009 was 79.6%, down from 86.7% in FY 2008.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Housing Authority of the City of Mt. Vernon, Indiana's investment in capital assets, net of related debt, as of December 31, 2009 amounts to \$1,801,859 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

Capital Assets – The total decrease in the Authority's capital assets for the current fiscal year was 0.7% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues were \$143,268 for the year. The Authority has various contract commitments with contractors for the implementation of the HUD capital grants as outlined by the HUD approved Capital Grant Budget. Depreciation charges for the year totaled \$155,996. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

	Beginning	Additions	Depreciation	Ending
Capital assets	\$1,816,433	\$141,768	\$(155,996)	\$1,802,205

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2009**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration - The Authority financed a vehicle for \$16,717.24 on May 18, 2007. Loan repayment is scheduled in 36 monthly installments of \$461.59 at zero percent interest. The Authority made principal payments totaling \$5,539 in FY 2009. Additional information on the Authority's long-term debt can be found in the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2010 Public Housing budget. The user charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on occupied units and approved vacancies, utility consumption and rates, approved add-ons, formula income, and transition funding. The amount of funding is also established and approved by HUD. Formula income is based on rental income from the Authority's rent roll records for the period specified by HUD. Operating expenses are expected to increase by the economy's inflation rate.

The Authority is eligible to receive \$830,244 for housing assistance payments in FY 2010 for the Housing Choice Voucher Program. The Authority also has \$123,432 available in HAP Reserves to be used for housing assistance payments. Based on the average housing assistance payment per unit of \$412.94 in FY 2009, the Authority will have sufficient funding and reserves to lease 94.8% of its authorized vouchers in FY 2010. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2010 and adjusted for pro-ration which is currently at 87.9%.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Terri Austin, Executive Director, Housing Authority of the City of Mt. Vernon, 1500 Jefferson Street, Mt. Vernon, Indiana 47620.

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2009**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 220,670
Accounts receivable (interfund eliminated)	24,696
Accrued interest receivable	127
Investments	47,852
Inventory	12,968
Deferred charges	<u>2,569</u>

Total Current Assets \$ 308,882

RESTRICTED ASSETS

Cash - restricted	<u>\$ 126,782</u>
-------------------	-------------------

Total Restricted Assets \$ 126,782

CAPITAL ASSETS

Land, buildings and equipment	\$ 4,371,925
Less: Accumulated depreciation	<u>-2,569,720</u>

Net Capital Assets \$ 1,802,205

Total Assets \$ 2,237,869

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 29,638
Notes payable	1,846
Accrued liabilities	27,390
Deferred revenue	<u>83,856</u>

Total Current Liabilities \$ 142,730

NONCURRENT LIABILITIES

Accrued compensated absences	<u>\$ 3,913</u>
------------------------------	-----------------

Total Noncurrent Liabilities \$ 3,913

NET ASSETS

Invested in capital assets	\$ 1,800,359
Restricted	123,432
Unrestricted	<u>167,435</u>

Total Net Assets \$ 2,091,226

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, 2009**

Operating Income

Tenant rental revenue	\$ 274,713
Tenant revenue - other	<u>4,850</u>
Total Rental Income	\$ 279,563
HUD grants - operating	1,108,736
Other income	<u>13,780</u>
Total Operating Income	<u>\$ 1,402,079</u>

Operating Expenses

Administration	\$ 178,343
Tenant services	2,049
Utilities	105,350
Ordinary maintenance and operation	132,479
General expense	46,761
Housing assistance payments	800,281
Depreciation expense	<u>155,996</u>
Total Operating Expenses	<u>\$ 1,421,259</u>
Net Operating Income (Loss)	\$ -19,180

Nonoperating Income (Expense)

Interest income	1,231
-----------------	-------

Capital Contributions

Capital fund grants	<u>107,718</u>
Changes in net assets	\$ 89,769
Net assets, beginning of year	<u>2,001,457</u>
Net assets, end of year	<u><u>\$ 2,091,226</u></u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2009**

Operating Activities

Operating grants	\$ 1,187,617
Tenant revenue	281,716
Other revenue	13,780
Housing assistance payments	-800,281
Payments to employees	-173,287
Payments to suppliers and contractors	<u>-296,000</u>

Net Cash Provided (Used) by Operating Activities \$ 213,545

Investing Activities

Investments (purchased) redeemed	\$ -47,852
Interest income	<u>1,471</u>

Net Cash Provided (Used) by Investing Activities \$ -46,381

Capital and Related Financing Activities

Capital fund grants	\$ 107,718
Additions (deletions) to fixed assets	-141,768
Issuance (retirement) of debt	<u>-5,539</u>

Net Cash Provided (Used)
by Capital and Related Financing Activities \$ -39,589

Net Change in Cash \$ 127,575

Cash Balance at December 31, 2008 219,877

Cash Balance at December 31, 2009 \$ 347,452

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2009**

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

Net operating income (loss)	\$ -19,180
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	155,996
(Increase) decrease in accounts receivable	-15,138
(Increase) decrease in deferred charges	2,703
(Increase) decrease in inventories	-443
Increase (decrease) in accounts payable	1,221
Increase (decrease) in accrued liabilities	4,862
Increase (decrease) in deferred revenues	<u>83,524</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 213,545</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, 2009**

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.

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 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, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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

(d) Funds -

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

- * Low Rent Public Housing
- * Section 8 Choice Vouchers
- * Capital Fund Program
- * American Recovery and Reinvestment Act - Formula Capital Stimulus Grant

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2009, 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, 2009
(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) Net Assets -

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

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(i) Income Tax -

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

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) Rental income is recognized as rents become due.

(o) 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 \$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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2009
(CONTINUED)**

Note 2 - Cash and Investments

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.

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	\$ 70,055	\$ 74,244
Voucher	<u>277,397</u>	<u>278,670</u>
Total	<u>\$ 347,452</u>	<u>\$ 352,914</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2009
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.
- Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.
- Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	\$ <u>47,852</u>	\$ <u>47,852</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 \$765, while the Authority contributed \$225 for the fiscal year. Total annual payroll expense was \$167,590.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2009
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Fraud recovery (net)	\$ 12,516
Accounts receivable - other	101
Accounts receivable - HUD	<u>12,079</u>
Subtotal	\$ 24,696
Interfund	<u>69,925</u>
Total	<u>\$ 94,621</u>

Note 6 - Investments

At December 31, 2009 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	2.33%	<u>\$ 47,852</u>	<u>\$ 47,852</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 2,569</u>
-------------------	-----------------

Note 8 - Fixed Assets

Balance as of December 31, 2009	\$ 1,802,205
Balance as of December 31, 2008	<u>1,816,433</u>
Net Increase (Decrease)	<u>\$ -14,228</u>

Reconciliation

Additions	\$ 141,768
Current year depreciation expense	<u>-155,996</u> *
Net Increase (Decrease)	<u>\$ -14,228</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2009
(CONTINUED)**

Note 8 - Fixed Assets (Continued)

<u>Analysis</u>	01/01/2009 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	12/31/2009 <u>Balance</u>
Land	\$ 322,428	\$ 0	\$ 0	\$ 322,428
Buildings	1,671,882	2,003,667	0	3,675,549
Equipment	193,135	26,289	0	219,424
Leasehold improvements	1,929,356	0	1,929,356	0
Construction in progress	<u>113,355</u>	<u>107,718</u>	<u>66,549</u>	<u>154,524</u>
Total	\$ 4,230,156	\$ 2,137,674	\$ 1,995,905	\$ 4,371,925
Accumulated depreciation	<u>-2,413,723</u>	<u>-155,996</u>	<u>* 1</u>	<u>-2,569,720</u>
Total	<u>\$ 1,816,433</u>	<u>\$ 1,981,678</u>	<u>\$ 1,995,906</u>	<u>\$ 1,802,205</u>

*Current year depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 19,298
Tenants security deposits	<u>10,340</u>
Subtotal	\$ 29,638
Interfund	<u>69,925</u>
Total	<u>\$ 99,563</u>

Note 10 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued compensated absences	\$ 3,912
Accrued wages and taxes payable	6,527
Payment in lieu of taxes	<u>16,951</u>
Total Current Portion	\$ 27,390

Noncurrent Portion:

Accrued compensated absences	<u>3,913</u>
Total	<u>\$ 31,303</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2009
(CONTINUED)**

Note 11 - Deferred Revenue

This classification consists of the following accounts:

Prepaid rent	\$	200
Deferred HUD capital grant		3,350
Deferred HUD subsidy		<u>80,306</u>
Total	<u>\$</u>	<u>83,856</u>

Note 12 - Long Term Debt

The Housing Authority financed a 2008 Chevy Equinox for \$16,717.24. There were 36 payments of \$461.59 due the 18th of each month starting May 18, 2008 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>
2010	\$ 1,846	0
2011	0	0
2012	0	0
2013	0	0
2014	0	0
Thereafter	0	0

Note 13 - 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 14 - Allocation of Costs

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

Note 15 - Contingencies

Federal Grants

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2009
(CONTINUED)**

Note 16 - Contracts/Commitments

As of December 31, 2009, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-08	\$ 86,764	\$ 86,764
CFP 501-09	86,311	7,000
Stimulus Grant 501-09	<u>109,826</u>	<u>80,325</u>
Total	<u>\$ 282,901</u>	<u>\$ 174,089</u>

Note 17 - 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 18 - Economic Dependency

The Housing Authority received most of its revenue (81%) 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, 2009**

<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 12/31/09	\$ <u>127,921</u>	\$ <u>127,921</u>	\$ <u>127,921</u>
Public Housing - Capital Funds	14.872	C-2006	FYE 12/31/09	\$ <u>261,696</u>	\$ <u>35,893</u>	\$ <u>35,893</u>
Housing Choice Voucher Program*	14.871	C-2006V	FYE 12/31/09	\$ <u>972,315</u>	\$ <u>972,315</u>	\$ <u>972,315</u>
A.R.R.A. - Formula Capital Stimulus Grant	14.855	C-2006	FYE 12/31/09	\$ <u>109,826</u>	\$ <u>80,325</u>	\$ <u>80,325</u>
Total Housing Assistance				\$ <u>1,471,758</u>	\$ <u>1,216,454</u>	\$ <u>1,216,454</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED DECEMBER 31, 2009**

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 IN36P037501-07**

1. The Actual Modernization Costs of Phase IN36P037501-07 are as follows:

Funds approved	\$	88,621
Funds expended		<u>88,621</u>
Excess of Funds Approved	\$	<u><u>0</u></u>
Funds advanced		
Project notes, non-HUD	\$	88,621
Funds expended		<u>88,621</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 February 17, 2010, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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, 2009, which collectively comprise the Housing Authority City of Mt. Vernon's basic financial statements and have issued my report thereon dated August 24, 2010. 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.

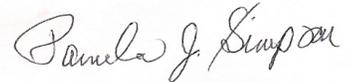
Compliance and Other Matters

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 August 24, 2010.

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
August 24, 2010



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, 2009. 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, 2009. 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 August 24, 2010.

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
August 24, 2010



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, 2008 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, 2009**

Section I - Summary of Auditor's Results

Low Risk Auditee _____ yes X no

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X no

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

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes X no

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

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

Any audit findings disclosed that are required to be reported in
accordance with section 510(a) of Circular A-133? _____ yes X 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 and the administrative staff, during the course of the audit or at an exit conference held August 24, 2010.

Section III - Federal Award Audit Findings

There were no federal award audit findings discussed with Terri Austin, Executive Director and the administrative staff, during the course of the audit or at an exit conference held August 24, 2010.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2009**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Admin subsidy	3600		\$ 3,364.59	2810.002
Accounts receivable - HUD	1125.01	\$ 3,364.59		1125.01
(To record 2009 settlement of calendar year admin fees earned, but received in 2010)				

Mount Vernon Housing Authority (IN037)
MOUNT VERNON, IN
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

	Project Total	14,885 Formula Capital Fund Stimulus Grant	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$56,365		\$153,965	\$210,330		\$210,330
112 Cash - Restricted - Modernization and Development	\$3,350			\$3,350		\$3,350
113 Cash - Other Restricted			\$123,432	\$123,432		\$123,432
114 Cash - Tenant Security Deposits	\$10,340			\$10,340		\$10,340
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$70,055	\$0	\$277,397	\$347,452	\$0	\$347,452
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects	\$7,000		\$5,079	\$12,079		\$12,079
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	\$101			\$101		\$101
126 Accounts Receivable - Tenants						
126.1 Allowance for Doubtful Accounts - Tenants	\$0	\$0	\$0	\$0	\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery			\$16,980	\$16,980		\$16,980
128.1 Allowance for Doubtful Accounts - Fraud			-\$4,464	-\$4,464		-\$4,464
129 Accrued Interest Receivable	\$127			\$127		\$127
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$7,228	\$0	\$17,595	\$24,823	\$0	\$24,823
131 Investments - Unrestricted	\$47,852			\$47,852		\$47,852
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$2,569			\$2,569		\$2,569
143 Inventories	\$12,968			\$12,968		\$12,968
143.1 Allowance for Obsolete Inventories	\$0			\$0		\$0
144 Inter Program Due From	\$69,925			\$69,925	-\$69,925	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$210,597	\$0	\$294,992	\$505,589	-\$69,925	\$435,664
161 Land	\$322,428			\$322,428		\$322,428
162 Buildings	\$3,675,549			\$3,675,549		\$3,675,549
163 Furniture, Equipment & Machinery - Dwellings	\$60,643			\$60,643		\$60,643
164 Furniture, Equipment & Machinery - Administration	\$145,008		\$13,773	\$158,781		\$158,781
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$2,561,281		-\$8,439	-\$2,569,720		-\$2,569,720
167 Construction in Progress	\$75,699	\$78,825		\$154,524		\$154,524
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,718,046	\$78,825	\$5,334	\$1,802,205	\$0	\$1,802,205
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	\$1,718,046	\$78,825	\$5,334	\$1,802,205	\$0	\$1,802,205
190 Total Assets	\$1,928,643	\$78,825	\$300,326	\$2,307,794	-\$69,925	\$2,237,869

Mount Vernon Housing Authority (IN037)

MOUNT VERNON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

	Project Total	14,885 Formula Capital Fund Stimulus Grant	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$17,570		\$1,728	\$19,298		\$19,298
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$5,903		\$624	\$6,527		\$6,527
322 Accrued Compensated Absences - Current Portion	\$2,967		\$945	\$3,912		\$3,912
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$16,951			\$16,951		\$16,951
341 Tenant Security Deposits	\$10,340			\$10,340		\$10,340
342 Deferred Revenues	\$3,550		\$80,306	\$83,856		\$83,856
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$923		\$923	\$1,846		\$1,846
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other						
347 Inter Program - Due To			\$69,925	\$69,925	-\$69,925	\$0
348 Loan Liability - Current						
310 Total Current Liabilities	\$58,204	\$0	\$154,451	\$212,655	-\$69,925	\$142,730
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						
354 Accrued Compensated Absences - Non Current	\$2,967		\$946	\$3,913		\$3,913
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$2,967	\$0	\$946	\$3,913	\$0	\$3,913
300 Total Liabilities	\$61,171	\$0	\$155,397	\$216,568	-\$69,925	\$146,643
508.1 Invested in Capital Assets, Net of Related Debt	\$1,717,123	\$78,825	\$4,411	\$1,800,359		\$1,800,359
509.2 Fund Balance Reserved						
511.2 Unreserved, Designated Fund Balance						
511.1 Restricted Net Assets			\$123,432	\$123,432		\$123,432
512.1 Unrestricted Net Assets	\$150,349	\$0	\$17,086	\$167,435		\$167,435
512.2 Unreserved, Undesignated Fund Balance						
513 Total Equity/Net Assets	\$1,867,472	\$78,825	\$144,929	\$2,091,226	\$0	\$2,091,226
600 Total Liabilities and Equity/Net Assets	\$1,928,643	\$78,825	\$300,326	\$2,307,794	-\$69,925	\$2,237,869

Mount Vernon Housing Authority (IN037)
MOUNT VERNON, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

	Project Total	14,885 Formula Capital Fund Stimulus Grant	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$274,713			\$274,713		\$274,713
70400 Tenant Revenue - Other	\$4,850			\$4,850		\$4,850
70500 Total Tenant Revenue	\$279,563	\$0	\$0	\$279,563	\$0	\$279,563
70600 HUD PHA Operating Grants	\$134,921	\$1,500	\$972,315	\$1,108,736		\$1,108,736
70610 Capital Grants	\$28,893	\$78,825		\$107,718		\$107,718
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	\$1,093		\$132	\$1,225		\$1,225
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery			\$12,516	\$12,516		\$12,516
71500 Other Revenue	\$1,264			\$1,264		\$1,264
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted			\$6	\$6		\$6
70000 Total Revenue	\$445,734	\$80,325	\$984,969	\$1,511,028	\$0	\$1,511,028
91100 Administrative Salaries	\$64,852	\$1,500	\$54,186	\$120,538		\$120,538
91200 Auditing Fees	\$2,800		\$1,400	\$4,200		\$4,200
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing	\$180		\$197	\$377		\$377
91500 Employee Benefit contributions - Administrative	\$13,151		\$6,992	\$20,143		\$20,143
91600 Office Expenses	\$10,243		\$10,575	\$20,818		\$20,818
91700 Legal Expense						
91800 Travel	\$1,326		\$192	\$1,518		\$1,518
91810 Allocated Overhead						
91900 Other	\$5,765		\$4,984	\$10,749		\$10,749
91000 Total Operating - Administrative	\$98,317	\$1,500	\$78,526	\$178,343	\$0	\$178,343

Mount Vernon Housing Authority (IN037)
MOUNT VERNON, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$2,049			\$2,049		\$2,049
92500 Total Tenant Services	\$2,049	\$0	\$0	\$2,049	\$0	\$2,049
93100 Water	\$5,692			\$5,692		\$5,692
93200 Electricity	\$89,568			\$89,568		\$89,568
93300 Gas						
93400 Fuel						
93500 Labor						
93600 Sewer	\$7,979			\$7,979		\$7,979
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense	\$2,111			\$2,111		\$2,111
93000 Total Utilities	\$105,350	\$0	\$0	\$105,350	\$0	\$105,350
94100 Ordinary Maintenance and Operations - Labor	\$51,743			\$51,743		\$51,743
94200 Ordinary Maintenance and Operations - Materials and Other	\$22,446		\$836	\$23,282		\$23,282
94300 Ordinary Maintenance and Operations Contracts	\$46,961			\$46,961		\$46,961
94500 Employee Benefit Contributions - Ordinary Maintenance	\$10,493			\$10,493		\$10,493
94000 Total Maintenance	\$131,643	\$0	\$836	\$132,479	\$0	\$132,479
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$15,199			\$15,199		\$15,199
96120 Liability Insurance	\$3,224			\$3,224		\$3,224
96130 Workmen's Compensation	\$1,111		\$861	\$1,972		\$1,972
96140 All Other Insurance	\$1,855			\$1,855		\$1,855
96100 Total Insurance Premiums	\$21,389	\$0	\$861	\$22,250	\$0	\$22,250

Mount Vernon Housing Authority (IN037)

MOUNT VERNON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
96200 Other General Expenses						
96210 Compensated Absences	\$3,322		\$665	\$3,987		\$3,987
96300 Payments in Lieu of Taxes	\$16,951			\$16,951		\$16,951
96400 Bad debt - Tenant Rents	\$3,573			\$3,573		\$3,573
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$23,846	\$0	\$665	\$24,511	\$0	\$24,511
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
96900 Total Operating Expenses	\$382,594	\$1,500	\$80,888	\$464,982	\$0	\$464,982
97000 Excess of Operating Revenue over Operating Expenses	\$63,140	\$78,825	\$904,081	\$1,046,046	\$0	\$1,046,046
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments			\$800,281	\$800,281		\$800,281
97350 HAP Portability-In						
97400 Depreciation Expense	\$153,833		\$2,163	\$155,996		\$155,996
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$536,427	\$1,500	\$883,332	\$1,421,259	\$0	\$1,421,259
10010 Operating Transfer In	\$7,000			\$7,000		\$7,000
10020 Operating transfer Out	-\$7,000			-\$7,000		-\$7,000
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

Mount Vernon Housing Authority (IN037)
MOUNT VERNON, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$90,693	\$78,825	\$101,637	\$89,769	\$0	\$89,769
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,958,165	\$0	\$43,292	\$2,001,457		\$2,001,457
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			\$21,497	\$21,497		\$21,497
11180 Housing Assistance Payments Equity			\$123,432	\$123,432		\$123,432
11190 Unit Months Available	996		2222	3218		3218
11210 Number of Unit Months Leased	994		1938	2932		2932
11270 Excess Cash	\$105,537			\$105,537		\$105,537
11610 Land Purchases	\$0			\$0		\$0
11620 Building Purchases	\$109,218			\$109,218		\$109,218
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0		\$0
11650 Leasehold Improvements Purchases	\$0			\$0		\$0
11660 Infrastructure Purchases	\$0			\$0		\$0
13510 CFFP Debt Service Payments	\$0			\$0		\$0
13901 Replacement Housing Factor Funds	\$0			\$0		\$0

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, 2009, 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. 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.
2. 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.
3. 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 some 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.

4. During my review of financials it was noted that PHA had a large interfund payable from Voucher to Low Rent. While some of it was paid down in FY09, the PHA needs to pay down more to show there is only a "timing" difference of cash payments/repayments.

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
August 24, 2010



Certified Public Accountant