



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B43546

---

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](http://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, 2012 to December 31, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Mount Vernon Housing Authority, as of December 31, 2012 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

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

---

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

---

**TWELVE MONTHS ENDED DECEMBER 31, 2012**

**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 Position as of December 31, 2012 ..... 11

Statement of Revenues, Expenses and Changes in Fund Net Position -  
Proprietary Funds - Twelve Months Ended December 31, 2012 ..... 12

Statement of Cash Flows - Twelve Months Ended December 31, 2012 ..... 13

Notes to Financial Statements ..... 15

**SUPPLEMENTAL DATA**

Schedule of Expenditure of Federal Awards ..... 26

PHA's Statement and Certification of Actual Modernization Cost -  
Phase IN36S037501-10 ..... 27

Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards ..... 28

Independent Auditor's Report on Compliance For Each Major Federal Program;  
Report on Internal Control Over Compliance Required by OMB Circular A-133 .. 30

Status of Prior Audit Findings ..... 32

Schedule of Findings and Questioned Costs - Summary ..... 33

Current Findings, Recommendations and Replies ..... 34

Schedule of Adjusting Journal Entries ..... 35

Financial Data Schedule - Electronic Submission ..... 35



## Independent Auditor's Report

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

I have audited the accompanying financial statements of the Housing Authority City of Mt. Vernon, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Housing Authority City of Mt. Vernon's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Housing Authority City of Mt. Vernon, as of December 31, 2012 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

## **Report on Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

## **Report on Supplemental Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority City of Mt. Vernon's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Further, the financial data schedules shown on pages 35 to 39 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the above described supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated July 31, 2013 on my consideration of the Housing Authority City of Mt. Vernon's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of a *Government Auditing Standards* and should be considered in assessing the results of my audit.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
December 31, 2012**

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, 2012. 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 position. 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 Position" refers to the difference between assets and liabilities. The Authority's total net position as of December 31, 2012 was \$1,850,978. The net position decreased by \$26,641, a decrease of 1.4% from the prior year.
- Revenues for the Authority were \$1,490,601 for the year ended December 31, 2012. This was an increase of \$99,663 or 6.7% over the prior year.
- Expenses for the Authority were \$1,517,242 for the year ended December 31, 2012. This was a decrease of \$21,328 or 1.4% from the prior year.
- Rental revenue for the Authority was \$286,188 for the year ended December 31, 2012, an increase of \$9,777 or 3.5% over the prior year. HUD operating grants for the Authority was \$1,177,120 for the year ended December 31, 2012, an increase of \$138,260 or 13.3% over the prior year. HUD capital grants for the Authority was \$27,809 for the year ended December 31, 2012, a decrease of \$52,092 or 65.2% from the prior year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
December 31, 2012**

**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.

**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 Position 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 Position. 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, 2012 and is required to be included in the audit reporting package.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
December 31, 2012**

**FINANCIAL ANALYSIS**

Net position 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 \$1,850,978 at the close of the year ended December 31, 2012 down from \$1,877,619 in fiscal year 2011. The decrease in net position of \$26,641 was due to the reasons noted below.

- Current assets include cash, investments, receivables, and prepaid expenses. Of the \$40,703 increase in this category, cash and investments increased \$47,899, receivables decreased \$7,630, prepaid expenses decreased \$1,136, and materials inventory increased \$1,570.
- Restricted assets consist of cash and investments which increased \$6,298 from FY 2011.
- Capital assets decreased \$138,894 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 \$7,185 or 15.7% mainly due to a \$3,357 overpayment due to HUD for Housing Choice Voucher program administrative fees.
- Noncurrent liabilities decreased \$560 due to a decrease in noncurrent portion of accrued compensated absences.

The unrestricted net position was \$248,509 as of December 31, 2012. 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 six months. The restricted net position resulting from excess Housing Choice Voucher HAP funding was \$66,313 as of December 31, 2012. 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 position. The same situation held true for the prior fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
December 31, 2012**

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF NET POSITION**

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 232,946	\$ 192,243	\$ 40,703	21.2%
Restricted assets	66,313	60,015	6,298	10.5%
Capital assets	1,536,156	1,675,050	(138,894)	-8.3%
Total Assets	<u>1,835,415</u>	<u>1,927,308</u>	<u>(91,893)</u>	<u>-4.8%</u>
Deferred Outflows	71,877	-	71,877	100.0%
<b>TOTAL</b>	<b><u>1,907,292</u></b>	<b><u>1,927,308</u></b>	<b><u>(20,016)</u></b>	<b><u>-1.0%</u></b>
Current liabilities	52,943	45,758	7,185	15.7%
Noncurrent liabilities	3,371	3,931	(560)	-14.2%
Total Liabilities	<u>56,314</u>	<u>49,689</u>	<u>6,625</u>	<u>13.3%</u>
Net Position				
Net investment in capital assets	1,536,156	1,675,050	(138,894)	-8.3%
Restricted	66,313	60,015	6,298	10.5%
Unrestricted	248,509	142,554	105,955	74.3%
Total Net Position	<u>\$ 1,850,978</u>	<u>\$ 1,877,619</u>	<u>\$ (26,641)</u>	<u>-1.4%</u>
Deferred Inflows	-	-	-	0.0%
<b>TOTAL</b>	<b><u>1,907,292</u></b>	<b><u>1,927,308</u></b>	<b><u>(20,016)</u></b>	<b><u>-1.0%</u></b>

The largest portion of the Authority's net position 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 CITY OF MT. VERNON  
MT. VERNON, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
December 31, 2012**

**FINANCIAL ANALYSIS (CONTINUED)**

The 2010 approved capital grant (501-10) totals \$86,020 and was 100.0% expended as of December 31, 2012. The following is a summary of individual grant line items, budget amount, percent expended as of 12/31/12, and development account:

<u>Line No.</u>	<u>Amount</u>	<u>Percent</u>	<u>Development Account</u>
1406	\$ 20,081	100.0%	Operations
1430	\$ 1,396	100.0%	Fees & Costs
1450	\$ 26,450	100.0%	Site Improvements
1460	\$ 38,093	100.0%	Dwelling Structures

The 2011 approved capital grant (501-11) totals \$71,021 and was 38.6% expended as of December 31, 2012. The following is a summary of individual grant line items, budget amount, percent expended as of 12/31/12, and development account:

<u>Line No.</u>	<u>Amount</u>	<u>Percent</u>	<u>Development Account</u>
1406	\$ 8,000	100.0%	Operations
1460	\$ 63,021	30.8%	Dwelling Structures

The 2012 approved capital grant (501-12) totals \$70,697 and was 100.0% expended as of December 31, 2012. The following is a summary of individual grant line items, budget amount, percent expended as of 12/31/12, and development account:

<u>Line No.</u>	<u>Amount</u>	<u>Percent</u>	<u>Development Account</u>
1406	\$ 70,697	100.0%	Operations

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position 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 \$101,774 due to the reasons noted below.

- Rental revenue increased \$9,777 or 3.5% due to an increase in average rent charge per unit under lease of \$9.85 or 3.5%.
- Of the \$138,260 increase in HUD operating grants, operating subsidy received from HUD increased \$15,112, housing choice voucher program assistance received from HUD increased \$40,370, and capital fund grants used for operating expenditures increased \$82,778.
- Other income decreased \$1,113 or 14.8% mainly due to a decrease in other tenant charges besides rent.
- Interest income decreased \$1,526 or 68.5% from FY 2011 due to lower interest rates on deposit accounts.
- The Authority had an \$8,005 loss on disposal of equipment in FY 2011 and \$7,648 in 2012 a variance of \$357.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
December 31, 2012**

**FINANCIAL ANALYSIS (CONTINUED)**

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

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenues</b>				
Operating - non-operating - capital contributions:				
Rental income	\$ 286,188	\$ 276,411	\$ 9,777	3.5%
HUD operating grants	1,177,120	1,038,860	138,260	13.3%
Other income	6,430	7,543	(1,113)	-14.8%
Interest income	702	2,228	(1,526)	-68.5%
Gain (loss) on sale of fixed assets	(7,648)	(8,005)	357	4.5%
HUD capital fund grants	27,809	79,901	(52,092)	-65.2%
Total Revenues	<u>1,490,601</u>	<u>1,396,938</u>	<u>93,663</u>	6.7%
<b>Expenses</b>				
Administration	190,521	183,015	7,506	4.1%
Tenant services	1,558	1,206	352	29.2%
Utilities	108,835	114,919	(6,084)	-5.3%
Ordinary maintenance & operation	122,520	149,297	(26,777)	-17.9%
General expense	45,177	38,375	6,802	17.7%
Depreciation	161,755	170,075	(8,320)	-4.9%
Housing assistance payments	886,876	881,683	5,193	0.6%
Total Expenses	<u>1,517,242</u>	<u>1,538,570</u>	<u>(21,328)</u>	-1.4%
Excess (deficiency) before prior period adjustments	(26,641)	(141,632)	114,991	
Prior period adjustments	-	8,309	(8,309)	
Change in net position	<u>(26,641)</u>	<u>(133,323)</u>	<u>106,682</u>	
Beginning net position	1,877,619	2,010,942	(133,323)	
Ending net position	<u>\$ 1,850,978</u>	<u>\$ 1,877,619</u>	<u>\$ (26,641)</u>	

- HUD capital grant revenue decreased \$52,092 from FY 2011. 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
December 31, 2012**

**FINANCIAL ANALYSIS (CONTINUED)**

Total expenses decreased \$21,328 due to the reasons noted below.

- Administration increased \$7,506 or 4.1% from FY 2011 primarily due to a \$5,151 increase in office expenses and a \$1,040 increase in legal expenses.
- Tenant services increased \$352 from FY 2011.
- Utilities decreased \$6,084 or 5.3% mostly due to a decrease in electricity of \$6,655 or 6.8%.
- Ordinary maintenance and operation decreased \$26,777 or 18% due to a \$1,169 decrease in maintenance materials, \$3,415 decrease in maintenance labor and benefits, and a \$22,229 decrease in contracted maintenance services.
- General expense increased \$6,802 or 17.7% mainly due to a \$5,506 increase in property insurance and a \$792 increase in payments in lieu of taxes.
- The Authority had an \$8,320 or 4.9% decrease in depreciation which is the write-off of capital assets over their estimated useful life.
- Housing assistance payments increased \$5,193 or 0.6% due to a 5.8% increase in average housing assistance payment per voucher issued which was partially offset by a 4.9% decrease in number of vouchers issued and outstanding during the current fiscal year.

The Public Housing occupancy rate for fiscal year ended December 31, 2012 and 2011 was 99.7%.

The Authority is authorized to assist 203 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease-up rate for FY 2012 was 85.8%, down from 90.2% in FY 2011.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
December 31, 2012**

**CAPITAL ASSETS**

The Housing Authority of the City of Mt. Vernon, Indiana's net investment in capital assets as of December 31, 2012 amounts to \$1,536,156 (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 8.3% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues were \$30,509 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 \$161,755. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

	Beginning	Additions	Depreciation	Prior Year Adjustment	Ending
Capital assets	\$1,675,050	\$30,509	\$(161,755)	\$(7,648)	\$1,536,156

**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 2013 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 \$833,196 for housing assistance payments in FY 2013 for the Housing Choice Voucher Program. The Authority also has \$66,776 available in HAP Reserves to be used for housing assistance payments. Based on the average housing assistance payment per unit of \$424.21 in FY 2012, the Authority will have sufficient funding and reserves to lease 87.1% of its authorized vouchers in FY 2013. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2013 and adjusted for pro-ratio which is currently at 69.265%.

**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 POSITION - PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2012**

**ASSETS**

Cash - operating	\$ 147,194
Cash - restricted	75,353
Receivables (net)	2,340
Accrued interest receivable	38
Investments	50,116
Inventory (net)	19,183
Prepaid expenses	5,035

Capital assets:

Land, improvements and construction in progress	\$ 341,849
Other capital assets, net of depreciation	<u>1,194,307</u>

Net Capital Assets \$ 1,536,156

Total Assets \$ 1,835,415

**DEFERRED OUTFLOWS OF RESOURCES (Note 9)** \$ 71,877

**TOTAL** \$ 1,907,292

**LIABILITIES**

Accounts payable	\$ 19,661
Other liabilities	33,257
Unearned revenue	25

Noncurrent liabilities:

Earned compensated absences	<u>3,371</u>
-----------------------------	--------------

Total Liabilities \$ 56,314

**DEFERRED INFLOWS OF RESOURCES** \$ 0

**NET POSITION**

Net investment in capital assets	\$ 1,536,156
Restricted	66,313
Unrestricted	<u>248,509</u>

Total Net Position \$ 1,850,978

**TOTAL** \$ 1,907,292

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

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
DECEMBER 31, 2012**

Operating Income

Tenant rental revenue	\$ 286,188
Tenant revenue - other	<u>3,978</u>
Total Rental Income	\$ 290,166
HUD grants - operating	1,177,120
Fraud recovery	2,052
Other revenue	400
Gain (loss) on sale of capital assets	<u>-7,648</u>
Total Operating Income	<u>\$ 1,462,090</u>

Operating Expenses

Administration	\$ 190,521
Tenant services	1,558
Utilities	108,835
Ordinary maintenance and operation	122,520
General expense	45,177
Housing assistance payments	886,876
Depreciation expense	<u>161,755</u>
Total Operating Expenses	<u>\$ 1,517,242</u>
Net Operating Income (Loss)	\$ -55,152

Nonoperating Income (Expense)

Interest income	702
-----------------	-----

Capital Contributions

Capital fund grants	<u>27,809</u>
Changes in net position	\$ -26,641
Net position, beginning of year	<u>1,877,619</u>
Net position, end of year	<u>\$ 1,850,978</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, 2012**

Operating Activities

Operating grants	\$ 1,114,348
Tenant revenue	290,202
Other revenue	-7,248
Housing assistance payments	-886,876
Payments to employees	-175,361
Payments to suppliers and contractors	<u>-287,059</u>

Net Cash Provided (Used) by Operating Activities      \$ 48,006

Investing Activities

Investments (purchased) redeemed	\$ -886
Interest income	<u>1,243</u>

Net Cash Provided (Used) by Investing Activities      \$ 357

Capital and Related Financing Activities

Additions (deletions) to fixed assets	\$ -22,861
Capital fund grants	<u>27,809</u>

Net Cash Provided (Used)  
by Capital and Related Financing Activities      \$ 4,948

Net Change in Cash      \$ 53,311

Cash Balance at December 31, 2011      169,236

Cash Balance at December 31, 2012      \$ 222,547

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2012**

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

Net operating income (loss)	\$ -55,152
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	161,755
(Increase) decrease in accounts receivable	7,089
(Increase) decrease in prepaid expenses	1,136
(Increase) decrease in inventories	-1,570
(Increase) decrease in deferred outflows	-71,877
Increase (decrease) in accounts payable	-5,792
Increase (decrease) in other liabilities	12,392
Increase (decrease) in unearned revenue	<u>25</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 48,006</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012**

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 Mayor, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority 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, 2012  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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

(d) Funds -

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

- \* Low Rent Public Housing
- \* Housing Choice Vouchers
- \* 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 Net Investment in Capital Assets, Restricted and Unrestricted.

(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, 2012, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Inventories and Materials -

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

(h) Fixed Assets -

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

If the initial cost of a piece of equipment and/or other personal property is 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

(i) Net Position -

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

- 1) Net investment in capital assets - capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction or improvement of those assets.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(i) Net Position - (Continued)

- 2) Restricted - restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- 3) Unrestricted - amounts not required to be reported in the other components of net position.

(j) Income Tax -

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

(k) Annual Contributions/Subsidies and Other Grants

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

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

- (l) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted to the Board of Commissioners.
- (m) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (n) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.
- (o) Rental income is recognized as rents become due.
- (p) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
(CONTINUED)**

Note 2 - Cash and Investments

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

All cash and investments are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

*Custodial Credit Risk*

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned 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, 2012  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.
- Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 129,312	\$ 134,833
Voucher	<u>93,235</u>	<u>96,170</u>
Total	<u>\$ 222,547</u>	<u>\$ 231,003</u>

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>\$ 50,116</u>	<u>\$ 50,116</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
(CONTINUED)**

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 PHA has established a voluntary retirement option for its' employees. For those who choose to participate the PHA provides a SIMPLE IRA for employees with Mutual of America. The PHA will match contributions made by employees up to 3% for employees meeting the eligibility requirements. The PHA made contributions of \$9,261 during the current year. Total annual payroll expense was \$ 172,689.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - miscellaneous	\$	101
Accounts receivable - tenants		187
Fraud recovery		18,742
Allowance for doubtful accounts - fraud		<u>-16,690</u>
Subtotal	\$	2,340
Interfund		<u>17,640</u>
Total	\$	<u>19,980</u>

Note 6 - Investments

At December 31, 2012 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	0.65%	<u>\$ 50,116</u>	<u>\$ 50,116</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
(CONTINUED)**

Note 7 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	\$ 3,330
Prepaid employee benefits	<u>1,705</u>
Total	<u>\$ 5,035</u>

Note 8 - Capital Assets

Balance as of December 31, 2012	\$ 1,536,156
Balance as of December 31, 2011	<u>1,675,050</u>
Net Increase (Decrease)	<u>\$ -138,894</u>

Reconciliation

Additions	\$ 30,509
Disposals	-7,648
Current year depreciation expense	<u>-161,755</u> *
Net Increase (Decrease)	<u>\$ -138,894</u>

Analysis

	<u>01/01/2012</u> <u>Balance</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>12/31/2012</u> <u>Balance</u>
Land	\$ 322,428	\$ 0	\$ 0	\$ 322,428
Buildings	3,944,165	39,490	0	3,983,655
Equipment	221,986	2,699	13,820	210,865
Leasehold improvements	0	26,450	0	26,450
Construction in progress	<u>57,551</u>	<u>27,809</u>	<u>65,939</u>	<u>19,421</u>
Total	\$ 4,546,130	\$ 96,448	\$ 79,759	\$ 4,562,819
Accumulated depreciation	<u>-2,871,080</u>	<u>-161,755</u> *	<u>-6,172</u>	<u>-3,026,663</u>
Total	<u>\$ 1,675,050</u>	<u>\$ -65,307</u>	<u>\$ 73,587</u>	<u>\$ 1,536,156</u>

\*Current year depreciation expense recognized.

Note 9 - Deferred Outflows of Resources

HUD - CFP funds	<u>\$ 71,877</u>
-----------------	------------------

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
(CONTINUED)**

Note 10 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 6,801
Accounts payable - HUD interest	3,820
Tenants security deposits	<u>9,040</u>
Subtotal	\$ 19,661
Interfund	<u>17,640</u>
Total	<u><u>\$ 37,301</u></u>

Note 11 - Other Liabilities

Other liabilities consists of the following:

Current Portion:

Wages/payroll taxes payable	\$ 8,911
Earned compensated absences	3,371
Payment in lieu of taxes	8,873
Other liabilities	<u>12,102</u>
Total Current Portion	\$ 33,257

Noncurrent Portion:

Earned compensated absences	<u>3,371</u>
Total	<u><u>\$ 36,628</u></u>

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of December 31, 2012:

	01/01/2012			12/31/2012
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Accrued compensated absence	<u>\$ 3,931</u>	<u>\$ 0</u>	<u>\$ 560</u>	<u>\$ 3,371</u>

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 is based on a variable rate determined by HUD annually.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
(CONTINUED)**

Note 14 - Allocation of Costs

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

Note 15 - Contingencies

Federal Grants

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

Note 16 - Contracts/Commitments

As of December 31, 2012, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-11	<u>\$ 71,021</u>	<u>\$ 27,421</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.

Note 19 - Restricted Net Position

Restricted net position is restricted for the following:

Section 8 - HAP	<u>\$ 66,313</u>
-----------------	------------------

## **SUPPLEMENTAL DATA**

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing	14.850a	C-2006	FYE 12/31/12	\$ 109,335	\$ 109,335	\$ 109,335
Public Housing - Capital Funds	14.872	C-2006	FYE 12/31/12	\$ 227,738	\$ 118,587	\$ 118,587
Housing Choice Voucher Program*	14.871	C-2006V	FYE 12/31/12	\$ 977,007	\$ 977,007	\$ 977,007
Total Housing Assistance				<u>\$ 1,314,080</u>	<u>\$ 1,204,929</u>	<u>\$ 1,204,929</u>

\*Denotes major program.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P037501-10**

1. The Actual Modernization Costs of Phase IN36P037501-10 are as follows:

Funds approved	\$ 86,020
Funds expended	<u>86,020</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 86,020
Funds expended	<u>86,020</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated July 15, 2013, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.



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

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

I have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Mt. Vernon, which comprise the statement of net position as of December 31, 2012, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Mt. Vernon's basic financial statements and have issued my report thereon dated July 31, 2013.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Housing Authority of the City of Mt. Vernon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

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

**Compliance and Other Matters**

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

I noted certain matters that I reported to the management of the Housing Authority of the City of Mt. Vernon in a separate letter dated July 31, 2013.

**Purpose of this Report**

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

  
Certified Public Accountant

Decatur, Illinois  
July 31, 2013



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

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

**Report on Compliance for Each Major Program**

I have audited the Housing Authority of the City of Mt. Vernon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of the Housing Authority of the City of Mt. Vernon's major federal programs for the year ended December 31, 2012. The Housing Authority of the 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.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

**Opinion on Each Major Program**

In my opinion, the Housing Authority of the City of Mt. Vernon complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

## **Other Matters**

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

I noted certain matters that I reported to the management of the Housing Authority of the City of Mt. Vernon in a separate letter dated July 31, 2013.

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

Management of the Housing Authority of the City of Mt. Vernon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of the City of Mt. Vernon's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Mt. Vernon's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit the attention by those charged with governance.

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

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



Certified Public Accountant

Decatur, Illinois  
July 31, 2013

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

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended December 31, 2011 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, 2012**

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

*Financial Statements*

Type of auditor's report: Unqualified

\* Material weakness(es) identified? \_\_\_\_\_ yes X no

\* Significant deficiency (ies) identified? \_\_\_\_\_ yes X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes X no

*Federal Awards*

Internal control over major programs:

\* Material weakness(es) identified? \_\_\_\_\_ yes X no

\* Significant deficiency (ies) identified? \_\_\_\_\_ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? \_\_\_\_\_ yes X no

**Identification of major programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Voucher Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes \_\_\_\_\_ no

**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 July 31, 2013.

**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 July 31, 2013.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2012**

<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)				
Materials	4420	\$ 1,058.78		2806.01
Electrical contract	4430.6	1,282.50		2806.01
Vendors and contractors	2111		\$ 2,341.28	2111
(To record additional vendor payable per search for fiscal year 2012)				
 <u>Voucher</u>				
(1)				
Interest on HAP investments	3610.01	\$ 462.57		2806.03
A/P - HUD - HAP	2118		\$ 462.57	2118
(To record HUD interest payable from HAP reserve interest per HUD notices)				

Mount Vernon Housing Authority (IN037)

MOUNT VERNON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$120,272	\$26,922	\$147,194		\$147,194
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted		\$66,313	\$66,313		\$66,313
114 Cash - Tenant Security Deposits	\$9,040		\$9,040		\$9,040
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$129,312	\$93,235	\$222,547	\$0	\$222,547
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$71,877		\$71,877		\$71,877
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous	\$101		\$101		\$101
126 Accounts Receivable - Tenants	\$187		\$187		\$187
126.1 Allowance for Doubtful Accounts - Tenants	\$0		\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery		\$18,742	\$18,742		\$18,742
128.1 Allowance for Doubtful Accounts - Fraud		-\$16,690	-\$16,690		-\$16,690
129 Accrued Interest Receivable	\$38		\$38		\$38
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$72,203	\$2,052	\$74,255	\$0	\$74,255
131 Investments - Unrestricted	\$50,116		\$50,116		\$50,116
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$4,670	\$365	\$5,035		\$5,035
143 Inventories	\$19,183		\$19,183		\$19,183
143.1 Allowance for Obsolete Inventories	\$0		\$0		\$0
144 Inter Program Due From	\$17,640		\$17,640	-\$17,640	\$0
145 Assets Held for Sale					
150 Total Current Assets	\$293,124	\$95,652	\$388,776	-\$17,640	\$371,136
161 Land	\$322,428		\$322,428		\$322,428
162 Buildings	\$3,983,655		\$3,983,655		\$3,983,655
163 Furniture, Equipment & Machinery - Dwellings	\$66,446		\$66,446		\$66,446
164 Furniture, Equipment & Machinery - Administration	\$135,339	\$9,080	\$144,419		\$144,419
165 Leasehold Improvements	\$26,450		\$26,450		\$26,450
166 Accumulated Depreciation	-\$3,021,436	-\$5,227	-\$3,026,663		-\$3,026,663
167 Construction in Progress	\$19,421		\$19,421		\$19,421
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,532,303	\$3,853	\$1,536,156	\$0	\$1,536,156
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	\$1,532,303	\$3,853	\$1,536,156	\$0	\$1,536,156
190 Total Assets	\$1,825,427	\$99,505	\$1,924,932	-\$17,640	\$1,907,292

Mount Vernon Housing Authority (IN037)

MOUNT VERNON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$4,740	\$2,061	\$6,801		\$6,801
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$7,951	\$960	\$8,911		\$8,911
322 Accrued Compensated Absences - Current Portion	\$3,054	\$317	\$3,371		\$3,371
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs		\$3,820	\$3,820		\$3,820
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$8,873		\$8,873		\$8,873
341 Tenant Security Deposits	\$9,040		\$9,040		\$9,040
342 Deferred Revenues	\$25		\$25		\$25
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other	\$12,102		\$12,102		\$12,102
347 Inter Program - Due To		\$17,640	\$17,640	-\$17,640	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$45,785	\$24,798	\$70,583	-\$17,640	\$52,943
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	\$3,054	\$317	\$3,371		\$3,371
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$3,054	\$317	\$3,371	\$0	\$3,371
300 Total Liabilities	\$48,839	\$25,115	\$73,954	-\$17,640	\$56,314
508.1 Invested In Capital Assets, Net of Related Debt	\$1,532,303	\$3,853	\$1,536,156		\$1,536,156
511.1 Restricted Net Assets		\$66,313	\$66,313		\$66,313
512.1 Unrestricted Net Assets	\$244,285	\$4,224	\$248,509		\$248,509
513 Total Equity/Net Assets	\$1,776,588	\$74,390	\$1,850,978	\$0	\$1,850,978
600 Total Liabilities and Equity/Net Assets	\$1,825,427	\$99,505	\$1,924,932	-\$17,640	\$1,907,292

Mount Vernon Housing Authority (IN037)

MOUNT VERNON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$286,188		\$286,188		\$286,188
70400 Tenant Revenue - Other	\$3,978		\$3,978		\$3,978
70500 Total Tenant Revenue	\$290,166	\$0	\$290,166	\$0	\$290,166
70600 HUD PHA Operating Grants	\$200,113	\$977,007	\$1,177,120		\$1,177,120
70610 Capital Grants	\$27,809		\$27,809		\$27,809
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	\$368	\$334	\$702		\$702
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery		\$2,052	\$2,052		\$2,052
71500 Other Revenue	\$129	\$271	\$400		\$400
71600 Gain or Loss on Sale of Capital Assets	-\$5,185	-\$2,463	-\$7,648		-\$7,648
72000 Investment Income - Restricted		\$0	\$0		\$0
70000 Total Revenue	\$513,400	\$977,201	\$1,490,601	\$0	\$1,490,601
91100 Administrative Salaries	\$65,550	\$49,279	\$114,829		\$114,829
91200 Auditing Fees	\$2,410	\$2,410	\$4,820		\$4,820
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing	\$32	\$62	\$94		\$94
91500 Employee Benefit contributions - Administrative	\$19,075	\$13,305	\$32,380		\$32,380
91600 Office Expenses	\$14,795	\$8,162	\$22,957		\$22,957
91700 Legal Expense	\$875	\$165	\$1,040		\$1,040
91800 Travel	\$1,124	\$1,832	\$2,956		\$2,956
91810 Allocated Overhead					
91900 Other	\$5,481	\$5,964	\$11,445		\$11,445
91000 Total Operating - Administrative	\$109,342	\$81,179	\$190,521	\$0	\$190,521
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$1,442	\$116	\$1,558		\$1,558
92500 Total Tenant Services	\$1,442	\$116	\$1,558	\$0	\$1,558

Mount Vernon Housing Authority (IN037)

MOUNT VERNON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
93100 Water	\$6,929		\$6,929		\$6,929
93200 Electricity	\$91,310		\$91,310		\$91,310
93300 Gas					
93400 Fuel					
93500 Labor					
93600 Sewer	\$8,722		\$8,722		\$8,722
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense	\$1,874		\$1,874		\$1,874
93000 Total Utilities	\$108,835	\$0	\$108,835	\$0	\$108,835
94100 Ordinary Maintenance and Operations - Labor	\$52,328		\$52,328		\$52,328
94200 Ordinary Maintenance and Operations - Materials and Other	\$19,890	\$1,494	\$21,384		\$21,384
94300 Ordinary Maintenance and Operations Contracts	\$33,805	\$69	\$33,874		\$33,874
94500 Employee Benefit Contributions - Ordinary Maintenance	\$14,934		\$14,934		\$14,934
94000 Total Maintenance	\$120,957	\$1,563	\$122,520	\$0	\$122,520
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
96110 Property Insurance	\$20,452		\$20,452		\$20,452
96120 Liability Insurance	\$2,893	\$858	\$3,751		\$3,751
96130 Workmen's Compensation	\$2,344		\$2,344		\$2,344
96140 All Other Insurance	\$2,673		\$2,673		\$2,673
96100 Total insurance Premiums	\$28,362	\$858	\$29,220	\$0	\$29,220
96200 Other General Expenses					
96210 Compensated Absences	\$5,939	\$1,145	\$7,084		\$7,084
96300 Payments in Lieu of Taxes	\$8,873		\$8,873		\$8,873
96400 Bad debt - Tenant Rents					
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$14,812	\$1,145	\$15,957	\$0	\$15,957
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
96900 Total Operating Expenses	\$383,750	\$84,861	\$468,611	\$0	\$468,611
97000 Excess of Operating Revenue over Operating Expenses	\$129,650	\$892,340	\$1,021,990	\$0	\$1,021,990

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		\$886,605	\$886,605		\$886,605
97350 HAP Portability-In		\$271	\$271		\$271
97400 Depreciation Expense	\$161,204	\$551	\$161,755		\$161,755
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$544,954	\$972,288	\$1,517,242	\$0	\$1,517,242
10010 Operating Transfer In	\$90,778		\$90,778	-\$90,778	\$0
10020 Operating transfer Out	-\$90,778		-\$90,778	\$90,778	\$0
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$31,554	\$4,913	-\$26,641	\$0	-\$26,641
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,808,142	\$69,477	\$1,877,619		\$1,877,619
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0		\$0
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		\$8,077	\$8,077		\$8,077
11180 Housing Assistance Payments Equity		\$66,313	\$66,313		\$66,313
11190 Unit Months Available	996	2106	3102		3102
11210 Number of Unit Months Leased	993	2090	3083		3083
11270 Excess Cash	\$191,614		\$191,614		\$191,614
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$21,901		\$21,901		\$21,901
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$2,700		\$2,700		\$2,700
11650 Leasehold Improvements Purchases	\$5,908		\$5,908		\$5,908
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0



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

In planning and performing my audit of the financial statements of the Housing Authority City of Mt. Vernon as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 or disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

1. During my review of the pension plan contributions, it was noted that the PHA had remitted 58 weeks worth of payments, of which six weeks were for 2011 periods. The PHA should monitor and reconcile the payment to insure that contributions are remitted timely.

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  
July 31, 2013

Certified Public Accountant