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August 24, 2015

Board of Commissioners
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, 2013 to December 31, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Mount Vernon Housing Authority, as of December 31, 2013 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

A handwritten signature in dark ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

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

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

TWELVE MONTHS ENDED DECEMBER 31, 2013

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

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Independent Auditor's Report

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

I have audited the accompanying financial statements of the Housing Authority City of Mt. Vernon, as of and for the year ended December 31, 2013, 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, 2013 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 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.

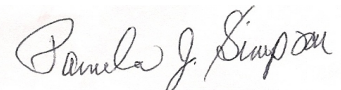
Report on Supplemental Information

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 37 to 41 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 30, 2014 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, 2013**

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, 2013. 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, 2013 was \$1,745,331. The net position decreased by \$105,647, a decrease of 5.7% from the prior year.
- Revenues for the Authority were \$1,412,517 for the year ended December 31, 2013. This was a decrease of \$78,084 or 5.2% over the prior year.
- Expenses for the Authority were \$1,518,264 for the year ended December 31, 2013. This was an increase of \$1,022 or 0.1% from the prior year.
- Tenant revenue for the Authority was \$291,556 for the year ended December 31, 2013, an increase of \$1,390 or 0.5% over the prior year. HUD operating grants for the Authority were \$1,075,010 for the year ended December 31, 2013, a decrease of \$102,110 or 8.7% over the prior year. HUD capital grants for the Authority were \$43,600 for the year ended December 31, 2013, an increase of \$15,791 or 56.8% from the prior year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2013**

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, 2013 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, 2013**

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 \$1,745,331 at the close of the year ended December 31, 2013 down from \$1,850,978 in fiscal year 2012. The decrease in net position of \$105,647 was due to the reasons noted below.

- Current assets include cash, investments, receivables, and prepaid expenses. Of the \$2,411 decrease in this category, cash and investments decreased \$4,554, receivables increased \$1,025, prepaid expenses increased \$254, and materials inventory increased \$864.
- Restricted assets consist of cash which decreased \$37,186 from FY 2012.
- Capital assets decreased \$82,713 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 decreased \$948 or 1.8%.
- Noncurrent liabilities increased \$373 due to an increase in noncurrent portion of accrued compensated absences.

The unrestricted net position was \$264,352 as of December 31, 2013. 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 \$27,536 as of December 31, 2013. 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, 2013**

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF NET POSITION

	FY 2013	FY 2012	Dollar Change	Percent Change
Current assets	\$ 221,495	\$ 223,906	\$ (2,411)	-1.1%
Restricted assets	38,167	75,353	(37,186)	-49.3%
Capital assets	<u>1,453,443</u>	<u>1,536,156</u>	<u>(82,713)</u>	<u>-5.4%</u>
Total Assets	<u>1,713,105</u>	<u>1,835,415</u>	<u>(122,310)</u>	<u>-6.7%</u>
Deferred Outflows	<u>89,776</u>	<u>71,877</u>	<u>17,899</u>	<u>24.9%</u>
TOTAL	<u>1,802,881</u>	<u>1,907,292</u>	<u>(104,411)</u>	<u>-5.5%</u>
Current liabilities	51,995	52,943	(948)	-1.8%
Noncurrent liabilities	<u>3,744</u>	<u>3,371</u>	<u>373</u>	<u>11.1%</u>
Total Liabilities	<u>55,739</u>	<u>56,314</u>	<u>(575)</u>	<u>-1.0%</u>
Deferred Inflows	<u>1,811</u>	<u>-</u>	<u>1,811</u>	<u>0.0%</u>
Net Position				
Net investment in capital assets	1,453,443	1,536,156	(82,713)	-5.4%
Restricted	27,536	66,313	(38,777)	-58.5%
Unrestricted	<u>264,352</u>	<u>248,509</u>	<u>15,843</u>	<u>6.4%</u>
Total Net Position	\$ <u>1,745,331</u>	\$ <u>1,850,978</u>	\$ <u>(105,647)</u>	<u>-5.7%</u>
TOTAL	<u>1,802,881</u>	<u>1,907,292</u>	<u>(104,411)</u>	<u>-5.5%</u>

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, 2013**

FINANCIAL ANALYSIS (CONTINUED)

The 2011 approved capital grant (501-11) totals \$71,021 and was 100.0% expended as of December 31, 2013. The following is a summary of individual grant line items, budget amount, percent expended as of 12/31/13, 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	100.0%	Dwelling Structures

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Fund 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 decreased \$78,084 due to the reasons noted below.

- Rental revenue increased \$5,368 or 1.9% due to an increase in average rent charge per unit under lease of \$9.85 or 3.5%.
- Of the \$102,110 decrease in HUD operating grants, operating subsidy received from HUD decreased \$4,244, housing choice voucher program assistance received from HUD decreased \$75,265, and capital fund grants used for operating expenditures decreased \$22,602.
- Other revenue increased \$445 or 111.3% mainly due to an increase in HAP port-in fees.
- Interest income decreased \$158 or 22.5% from FY 2012 due to lower interest rates on deposit accounts.
- The Authority had an \$1,339 loss on disposal of equipment in FY 2013 and \$7,648 in 2012 a variance of \$6,309.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2013**

FINANCIAL ANALYSIS (CONTINUED)

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

	FY 2013	FY 2012	Dollar Change	Percent Change
Revenues				
Operating - non-operating - capital contributions:				
Rental income	\$ 291,556	\$ 290,166	\$ 1,390	0.5%
HUD operating grants	1,075,010	1,177,120	(102,110)	-8.7%
Capital grants	43,600	27,809	15,791	56.8%
Fraud recovery	2,301	2,052	249	0.0%
Other revenue	845	400	445	111.3%
Interest income	544	702	(158)	-22.5%
Gain (loss) on sale of fixed assets	(1,339)	(7,648)	6,309	-82.5%
Total Revenues	<u>1,412,517</u>	<u>1,490,601</u>	<u>(78,084)</u>	<u>-5.2%</u>
Expenses				
Administration	189,545	190,521	(976)	-0.5%
Tenant services	3,262	1,558	1,704	109.4%
Utilities	113,044	108,835	4,209	3.9%
Ordinary maintenance & operation	129,056	122,520	6,536	5.3%
General expense	47,156	45,177	1,979	4.4%
Depreciation	162,336	161,755	581	0.4%
Housing assistance payments	873,865	886,876	(13,011)	-1.5%
Total Expenses	<u>1,518,264</u>	<u>1,517,242</u>	<u>1,022</u>	<u>0.1%</u>
Excess (deficiency) before prior period adjustments	(105,747)	(26,641)	(79,106)	
Prior period adjustments	100	-	100	
Change in net position	<u>(105,647)</u>	<u>(26,641)</u>	<u>(79,006)</u>	
Beginning net position	1,850,978	1,877,619	(26,641)	
Ending net position	<u>\$ 1,745,331</u>	<u>\$ 1,850,978</u>	<u>\$ (105,647)</u>	

- HUD capital grant revenue increased \$15,791 from FY 2012. 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, 2013**

FINANCIAL ANALYSIS (CONTINUED)

Total expenses increased \$1,022 due to the reasons noted below.

- Administration decreased \$976 or 0.5% from FY 2012 primarily due to a decrease in travel expenses and in legal expenses.
- Tenant services increased \$1,704 from FY 2012.
- Utilities increased \$4,209 or 3.9% mostly due to the fluctuation in usage.
- Ordinary maintenance and operation increased \$6,536 or 5.3% due to increases in maintenance contracts.
- General expense increased \$1,979 or 4.4% mainly due to an increase in compensated absence expense.
- The Authority had a \$581 or 0.4% increase in depreciation.
- Housing assistance payments decreased \$13,011 or 1.5% due to a decrease in average housing assistance payment per voucher issued during the current fiscal year.

The Public Housing occupancy rate for fiscal year ended December 31, 2013 and 2012 was 99.7%.

The Authority is authorized to assist 203 households with the Housing Choice Voucher Rental Assistance Program.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2013**

CAPITAL ASSETS

The Housing Authority of the City of Mt. Vernon, Indiana's net investment in capital assets as of December 31, 2013 amounts to \$1,455,443 (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 5.4% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues were \$81,512 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 \$162,336. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

	Beginning	Additions	Depreciation/ Disposals	Prior Year Adjustment	Ending
Capital assets	\$1,536,156	\$81,512	\$(164,225)	\$0	\$1,453,443

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.

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 Irwin, 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, 2013**

ASSETS

Cash - operating	\$ 142,314
Cash - restricted	38,167
Receivables (net)	3,365
Accrued interest receivable	38
Investments	50,442
Inventory (net)	20,047
Prepaid expenses	5,289

Capital assets:

Land, land improvements and construction in progress	\$ 348,878
Other capital assets, net of depreciation	<u>1,104,565</u>

Net Capital Assets	\$ <u>1,453,443</u>
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Total Assets	\$ <u>1,713,105</u>
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<u>DEFERRED OUTFLOWS OF RESOURCES (Note 10)</u>	\$ <u>89,776</u>
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TOTAL	\$ <u>1,802,881</u>
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LIABILITIES

Accounts payable	\$ 14,382
Other liabilities	37,022
Unearned revenue	591

Noncurrent liabilities:

Earned compensated absences	<u>3,744</u>
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Total Liabilities	\$ <u>55,739</u>
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<u>DEFERRED INFLOWS OF RESOURCES (Note 16)</u>	\$ <u>1,811</u>
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NET POSITION

Net investment in capital assets	\$ 1,453,443
Restricted	27,536
Unrestricted	<u>264,352</u>

Total Net Position	\$ <u>1,745,331</u>
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TOTAL	\$ <u>1,802,881</u>
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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, 2013**

Operating Income

Tenant rental revenue	\$ 289,976
Tenant revenue - other	<u>1,580</u>
 Total Rental Income	 \$ 291,556
 HUD grants - operating	 1,075,010
Fraud recovery	2,301
Other revenue	845
Gain (loss) on sale of capital assets	<u>-1,339</u>
 Total Operating Income	 <u>\$ 1,368,373</u>

Operating Expenses

Administration	\$ 189,545
Tenant services	3,262
Utilities	113,044
Ordinary maintenance and operation	129,056
General expense	47,156
Housing assistance payments	873,865
Depreciation expense	<u>162,336</u>
 Total Operating Expenses	 <u>\$ 1,518,264</u>
 Net Operating Income (Loss)	 \$ -149,891

Nonoperating Income (Expense)

Interest income	544
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Capital Contributions

Capital fund grants	<u>43,600</u>
 Changes in net position	 \$ -105,747
Net position, beginning of year	1,850,978
Prior period adjustments	<u>100</u>
 Net position, end of year	 <u>\$ 1,745,331</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, 2013**

Operating Activities

Operating grants	\$ 1,055,565
Tenant revenue	292,829
Other revenue	1,807
Housing assistance payments	-873,865
Payments to employees	-177,385
Payments to suppliers and contractors	<u>-305,212</u>

Net Cash Provided (Used) by Operating Activities \$ -6,261

Investing Activities

Investments (purchased) redeemed	\$ -326
Interest income	<u>544</u>

Net Cash Provided (Used) by Investing Activities \$ 218

Capital and Related Financing Activities

(Additions) deletions to fixed assets	\$ -79,623
Capital fund grants	<u>43,600</u>

Net Cash Provided (Used)
by Capital and Related Financing Activities \$ -36,023

Net Change in Cash \$ -42,066

Cash Balance at December 31, 2012 222,547

Cash Balance at December 31, 2013 \$ 180,481

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2013**

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

Net operating income (loss)	\$ -149,891
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	162,336
Adjustments to net position	100
(Increase) decrease in accounts receivable	-1,025
(Increase) decrease in prepaid expenses	-254
(Increase) decrease in inventories	-864
(Increase) decrease in deferred outflows	-17,899
Increase (decrease) in accounts payable	-1,922
Increase (decrease) in other liabilities	4,138
Increase (decrease) in unearned revenue	566
Increase (decrease) in deferred inflows	<u>-1,546</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -6,261</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, 2013**

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, 2013
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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

(d) Funds -

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

- * Low Rent Public Housing
- * 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 policy of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of six (6) months or less when purchased to be cash equivalents.

(f) Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net position and have been eliminated in the basic financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2013
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2013, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) 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	10 - 40	years
Equipment	5 - 15	years
Transportation equipment	5	years
Leasehold improvements	15	years

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2013
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(k) Net Position -

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

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

(l) Income Tax -

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

(m) 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.

- (n) 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.
- (o) 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.
- (p) 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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2013
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (q) Rental income is recognized as rents become due.
- (r) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

Note 2 - Cash and Investments

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

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

Custodial Credit Risk

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned 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, 2013
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 139,376	\$ 144,432
Voucher	<u>41,105</u>	<u>43,528</u>
Total	<u>\$ 180,481</u>	<u>\$ 187,960</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>\$ 50,442</u>	<u>\$ 50,442</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2013
(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 \$8,303 during the current year. Total annual payroll expense was \$179,485.

Note 5 - Post-Employment Benefits

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

Note 6 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - tenants	\$ 480
Fraud recovery	4,062
Allowance for doubtful accounts - fraud	<u>-1,177</u>
Subtotal	\$ 3,365
Interfund	<u>11,225</u>
Total	<u><u>\$ 14,590</u></u>

Note 7 - Investments

At December 31, 2013 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	0.65%	<u>\$ 50,442</u>	<u>\$ 50,442</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2013
(CONTINUED)**

Note 8 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	\$ 3,566
Prepaid computer support	<u>1,723</u>
Total	<u>\$ 5,289</u>

Note 9 - Capital Assets

Balance as of December 31, 2013	\$ 1,453,443
Balance as of December 31, 2012	<u>1,536,156</u>
Net Increase (Decrease)	<u>\$ -82,713</u>

Reconciliation

Property betterments and additions	\$ 75,436
Replacement of nonexpendable equipment	6,076
Disposals	-1,889
Current year depreciation expense	<u>-162,336</u> *
Net Increase (Decrease)	<u>\$ -82,713</u>

Analysis

	01/01/2013 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	12/31/2013 <u>Balance</u>
Land	\$ 322,428	\$ 0	\$ 0	\$ 322,428
Buildings	3,983,655	94,857	20,000	4,058,512
Equipment	210,865	6,076	2,751	214,190
Leasehold improvements	26,450	0	0	26,450
Construction in progress	<u>19,421</u>	<u>43,600</u>	<u>63,021</u>	<u>0</u>
Total	\$ 4,562,819	\$ 144,533	\$ 85,772	\$ 4,621,580
Accumulated depreciation	<u>-3,026,663</u>	<u>20,862</u>	<u>162,336</u> *	<u>-3,168,137</u>
Total	<u>\$ 1,536,156</u>	<u>\$ 165,395</u>	<u>\$ 248,108</u>	<u>\$ 1,453,443</u>

*Current year depreciation expense recognized.

Note 10 - Deferred Outflows of Resources

HUD - CFP funds	<u>\$ 89,776</u>
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**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2013
(CONTINUED)**

Note 11 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 3,695
Accounts payable - HUD interest	647
Tenants security deposits	<u>10,040</u>
Subtotal	\$ 14,382
Interfund	<u>11,225</u>
Total	<u><u>\$ 25,607</u></u>

Note 12 - Notes Payable

On August 4, 1987, the U.S. Department of Housing and Urban Development (HUD) issued notice PIH 87-212 to implement the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (PL 99-272, enacted April 7, 1986). This notice states, in part, the following:

Project debt to HUD (HUD-held notes) will be forgiven after a debt forgiveness amendment to the consolidated Annual Contributions Contract has been executed by HUD and the Public Housing Authority and after the Actual Development Cost Certificate has been included in an audit and approved.

As a part of the HUD mandated GAAP conversion and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

Note 13 - Other Liabilities

Other liabilities consists of the following:

Current Portion:

Wages/payroll taxes payable	\$ 10,265
Earned compensated absences	3,744
Payment in lieu of taxes	8,851
Utilities payable	<u>14,162</u>
Total Current Portion	\$ 37,022

Noncurrent Portion:

Earned compensated absences	<u>3,744</u>
Total	<u><u>\$ 40,766</u></u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2013
(CONTINUED)**

Note 14 - Summary of Long Term Liabilities

A summary of long term liabilities as of December 31, 2013:

	01/01/2013 <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	12/31/2013 <u>Balance</u>
Earned compensated absence	\$ 3,371	\$ 373	\$ 0	\$ 3,744

Note 15 - Unearned Revenue

This classification consists of the following:

Tenants prepaid rent	<u>\$ 591</u>
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Note 16 - Deferred Inflows of Resources

HUD - admin fees	<u>\$ 1,811</u>
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Note 17 - 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.

Note 18 - 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 19 - 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 20 - Prior Period Adjustments

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

Adjustment for NRA interest	<u>\$ 100</u>
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**HOUSING AUTHORITY CITY OF MT. VERNON
MT. VERNON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2013
(CONTINUED)**

Note 21 - 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 22 - Economic Dependency

The Housing Authority received most of its revenue (79%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

Note 23 - Restricted Net Position

Restricted net position is restricted for the following:

HAP	\$ <u>27,536</u>
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SUPPLEMENTAL DATA

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing	14.850a	C-2006	FYE 12/31/13	\$ 105,091	\$ 105,091	\$ 105,091
Public Housing - Capital Funds	14.872	C-2006	FYE 12/31/13	\$ 139,198	\$ 111,777	\$ 111,777
Housing Choice Voucher Program*	14.871	C-2006V	FYE 12/31/13	\$ 901,742	\$ 901,742	\$ 901,742
Total Housing Assistance				\$ 1,146,031	\$ 1,118,610	\$ 1,118,610

*Denotes major program.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P037501-11**

1. The Actual Modernization Costs of Phase IN36P037501-11 are as follows:

Funds approved	\$ 71,021
Funds expended	<u>71,021</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 71,021
Funds expended	<u>71,021</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 21, 2014, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.



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

Board of Commissioners
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, 2013, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Mt. Vernon's basic financial statements and have issued my report thereon dated July 30, 2014.

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

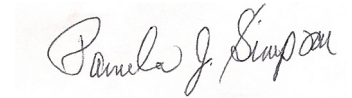
As part of obtaining reasonable assurance about whether the Housing Authority of the City of Mt. Vernon's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 30, 2014.

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.

Decatur, Illinois
July 30, 2014

A handwritten signature in black ink, reading "Pamela J. Simpson". The signature is written in a cursive, flowing style.

Certified Public Accountant



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

Board of Commissioners
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, 2013. 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, 2013. 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 30, 2014.

Report on Internal Control Over Compliance

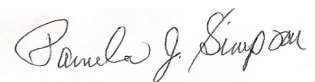
Management of the Housing Authority of the City of Mt. Vernon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of 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.

Decatur, Illinois
July 30, 2014



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, 2012 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, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report:

Unqualified

- * Material weakness(es) identified? _____ yes X no
 * Significant deficiency (ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? _____ yes X no
 * Significant deficiency (ies) identified? _____ yes X none reported

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

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Section 510(a) of OMB Circular A-133?

_____ yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

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 Irvin, Executive Director, during the course of the audit or at an exit conference held July 30, 2014.

Section III - Federal Award Audit Findings

There were no federal award audit findings discussed with Terri Irvin, Executive Director, during the course of the audit or at an exit conference held July 30, 2014.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2013**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Administrative salaries	4110	\$ 560.60		2806.01
Labor	4410	421.65		2806.01
Accrued wages/salaries	2135.01		\$ 982.25	2135.01
(To adjust for employees who worked for two days in December, but paid on 01/10/2014 payroll)				
<u>Voucher</u>				
(1)				
A/P - HUD NRA	2118.02	\$ 200.00		2118.02
Interest	3610		\$ 100.00	2806.01
Unrestricted net position	2806.01		100.00	2806.01
(To reduce payable for amount allowed to be retained for administration in 2012 and 2013)				
(2)				
Administrative salaries	4110	\$ 18.72		2806.01
Accrued wages/salaries	2135.01		\$ 18.72	2135.01
(To adjust for employee who worked for two days in December, but paid on 01/10/2014 payroll)				

Mount Vernon Housing Authority (IN037)
MOUNT VERNON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$128,745	\$13,569	\$142,314		\$142,314
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted		\$27,536	\$27,536		\$27,536
114 Cash - Tenant Security Deposits	\$10,040		\$10,040		\$10,040
115 Cash - Restricted for Payment of Current Liabilities	\$591		\$591		\$591
100 Total Cash	\$139,376	\$41,105	\$180,481	\$0	\$180,481
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$0		\$0		\$0
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$480		\$480		\$480
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		\$4,062	\$4,062		\$4,062
128.1 Allowance for Doubtful Accounts - Fraud		-\$1,177	-\$1,177		-\$1,177
129 Accrued Interest Receivable	\$38		\$38		\$38
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$518	\$2,885	\$3,403	\$0	\$3,403
131 Investments - Unrestricted	\$50,442		\$50,442		\$50,442
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$4,891	\$398	\$5,289		\$5,289
143 Inventories	\$20,047		\$20,047		\$20,047
143.1 Allowance for Obsolete Inventories	\$0		\$0		\$0
144 Inter Program Due From	\$11,225		\$11,225	-\$11,225	\$0
145 Assets Held for Sale					
150 Total Current Assets	\$226,499	\$44,388	\$270,887	-\$11,225	\$259,662
161 Land	\$322,428		\$322,428		\$322,428
162 Buildings	\$4,058,512		\$4,058,512		\$4,058,512
163 Furniture, Equipment & Machinery - Dwellings	\$69,557		\$69,557		\$69,557
164 Furniture, Equipment & Machinery - Administration	\$136,622	\$8,011	\$144,633		\$144,633
165 Leasehold Improvements	\$26,450		\$26,450		\$26,450
166 Accumulated Depreciation	-\$3,162,996	-\$5,141	-\$3,168,137		-\$3,168,137
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,450,573	\$2,870	\$1,453,443	\$0	\$1,453,443
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	\$1,450,573	\$2,870	\$1,453,443	\$0	\$1,453,443
190 Total Assets	\$1,677,072	\$47,258	\$1,724,330	-\$11,225	\$1,713,105
200 Deferred Outflow of Resources	\$89,776		\$89,776		\$89,776
290 Total Assets and Deferred Outflow of Resources	\$1,766,848	\$47,258	\$1,814,106	-\$11,225	\$1,802,881

Mount Vernon Housing Authority (IN037)

MOUNT VERNON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$2,758	\$937	\$3,695		\$3,695
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$9,129	\$1,136	\$10,265		\$10,265
322 Accrued Compensated Absences - Current Portion	\$3,383	\$361	\$3,744		\$3,744
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs		\$647	\$647		\$647
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$8,851		\$8,851		\$8,851
341 Tenant Security Deposits	\$10,040		\$10,040		\$10,040
342 Unearned Revenue	\$591	\$0	\$591		\$591
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	\$14,162		\$14,162		\$14,162
347 Inter Program - Due To		\$11,225	\$11,225	-\$11,225	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$48,914	\$14,306	\$63,220	-\$11,225	\$51,995
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	\$3,383	\$361	\$3,744		\$3,744
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$3,383	\$361	\$3,744	\$0	\$3,744
300 Total Liabilities	\$52,297	\$14,667	\$66,964	-\$11,225	\$55,739
400 Deferred Inflow of Resources		\$1,811	\$1,811		\$1,811
508.4 Net Investment in Capital Assets	\$1,450,573	\$2,870	\$1,453,443		\$1,453,443
511.4 Restricted Net Position		\$27,536	\$27,536		\$27,536
512.4 Unrestricted Net Position	\$263,978	\$374	\$264,352		\$264,352
513 Total Equity - Net Assets / Position	\$1,714,551	\$30,780	\$1,745,331	\$0	\$1,745,331
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$1,766,848	\$47,258	\$1,814,106	-\$11,225	\$1,802,881

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$289,976		\$289,976		\$289,976
70400 Tenant Revenue - Other	\$1,580		\$1,580		\$1,580
70500 Total Tenant Revenue	\$291,556	\$0	\$291,556	\$0	\$291,556
70600 HUD PHA Operating Grants	\$173,268	\$901,742	\$1,075,010		\$1,075,010
70610 Capital Grants	\$43,600		\$43,600		\$43,600
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	\$354	\$190	\$544		\$544
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery		\$2,301	\$2,301		\$2,301
71500 Other Revenue	\$103	\$742	\$845		\$845
71600 Gain or Loss on Sale of Capital Assets	-\$1,339		-\$1,339		-\$1,339
72000 Investment Income - Restricted					
70000 Total Revenue	\$507,542	\$904,975	\$1,412,517	\$0	\$1,412,517
91100 Administrative Salaries	\$72,278	\$45,338	\$117,616		\$117,616
91200 Auditing Fees	\$4,575		\$4,575		\$4,575
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing	\$479	\$47	\$526		\$526
91500 Employee Benefit contributions - Administrative	\$19,460	\$13,067	\$32,527		\$32,527
91600 Office Expenses	\$16,516	\$5,519	\$22,035		\$22,035
91700 Legal Expense					
91800 Travel	\$983	\$855	\$1,838		\$1,838
91810 Allocated Overhead					
91900 Other	\$5,608	\$4,820	\$10,428		\$10,428
91000 Total Operating - Administrative	\$119,899	\$69,646	\$189,545	\$0	\$189,545
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$3,262		\$3,262		\$3,262
92500 Total Tenant Services	\$3,262	\$0	\$3,262	\$0	\$3,262

Mount Vernon Housing Authority (IN037)

MOUNT VERNON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
93100 Water	\$6,905		\$6,905		\$6,905
93200 Electricity	\$95,572		\$95,572		\$95,572
93300 Gas					
93400 Fuel					
93500 Labor					
93600 Sewer	\$8,693		\$8,693		\$8,693
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense	\$1,874		\$1,874		\$1,874
93000 Total Utilities	\$113,044	\$0	\$113,044	\$0	\$113,044
94100 Ordinary Maintenance and Operations - Labor	\$53,654		\$53,654		\$53,654
94200 Ordinary Maintenance and Operations - Materials and Other	\$19,838	\$1,445	\$21,283		\$21,283
94300 Ordinary Maintenance and Operations Contracts	\$39,610	\$54	\$39,664		\$39,664
94500 Employee Benefit Contributions - Ordinary Maintenance	\$14,455		\$14,455		\$14,455
94000 Total Maintenance	\$127,557	\$1,499	\$129,056	\$0	\$129,056
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	\$20,959		\$20,959		\$20,959
96120 Liability Insurance	\$1,329		\$1,329		\$1,329
96130 Workmen's Compensation	\$3,037		\$3,037		\$3,037
96140 All Other Insurance	\$3,548	\$1,217	\$4,765		\$4,765
96100 Total Insurance Premiums	\$28,873	\$1,217	\$30,090	\$0	\$30,090
96200 Other General Expenses					
96210 Compensated Absences	\$7,036	\$1,179	\$8,215		\$8,215
96300 Payments in Lieu of Taxes	\$8,851		\$8,851		\$8,851
96400 Bad debt - Tenant Rents					
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$15,887	\$1,179	\$17,066	\$0	\$17,066
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	\$408,522	\$73,541	\$482,063	\$0	\$482,063
97000 Excess of Operating Revenue over Operating Expenses	\$99,020	\$831,434	\$930,454	\$0	\$930,454

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		\$873,123	\$873,123		\$873,123
97350 HAP Portability-In		\$742	\$742		\$742
97400 Depreciation Expense	\$161,057	\$1,279	\$162,336		\$162,336
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$569,579	\$948,685	\$1,518,264	\$0	\$1,518,264
10010 Operating Transfer In	\$68,177		\$68,177	-\$68,177	\$0
10020 Operating transfer Out	-\$68,177		-\$68,177	\$68,177	\$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	-\$62,037	-\$43,710	-\$105,747	\$0	-\$105,747
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,776,588	\$74,390	\$1,850,978		\$1,850,978
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$100	\$100		\$100
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		\$3,244	\$3,244		\$3,244
11180 Housing Assistance Payments Equity		\$27,536	\$27,536		\$27,536
11190 Unit Months Available	996	2004	3000		3000
11210 Number of Unit Months Leased	996	1943	2939		2939
11270 Excess Cash	\$118,604		\$118,604		\$118,604
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$75,436		\$75,436		\$75,436
11630 Furniture & Equipment - Dwelling Purchases	\$3,111		\$3,111		\$3,111
11640 Furniture & Equipment - Administrative Purchases	\$2,669		\$2,669		\$2,669
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

Board of Commissioners
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, 2013, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

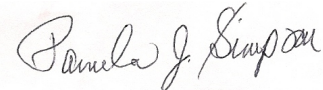
Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the 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. While reviewing the Housing Authority's detailed depreciation schedule, I noted several items that are below the capitalization threshold of \$1,000. The detailed schedule and the policy for depreciation, should be reviewed with the fee accountant.
2. While reviewing the agency's SEMAP certification, the Housing could not provide written documentation to substantiate that the required number of samples of participant files had been tested as a basis for data collection for the submission. The number of samples, per HUD guidelines, is minimum of eight. This documentation needs to be retained as support for the certification During the test of the SEMAP submission.

3. While reviewing salaries, wages and related payroll tax reports, it came to my attention that the performance bonuses paid to employees were not included as taxable wages on the year end payroll tax returns. The PHA should review the requirements for reporting all taxable earnings paid
4. While testing cash disbursements, I noted the following: 1) extra notation should be made for travel receipts dealing with "room charges" as they related to food and beverage purchases and 2) payments to credit card statements must have invoices attached (per housing authority policy), however, I noted some that were not properly attached.
5. All rent comparabilities should be placed in tenant files for new move ins, change of units, and landlord increases. In some instances a hard copy of the "test" could not be located in the file. Also, all original applications should be kept as a permanent part of a tenant file. In some instances the originals were not in the files examined as well.
6. While reviewing payroll tax reports submitted to the Internal Revenue Service, as well as to the State of Indiana, I noted that remittance of the related taxes were sometime made late. The PHA should monitor payments to both agencies in order to avoid being assessed late payment penalties.

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.



Certified Public Accountant

Decatur, Illinois
July 30, 2014