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September 27, 2016

Board of Commissioners
Housing Authority City of Mr. Vernon
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, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Housing Authority City of Mt. Vernon, as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit report is filed with this letter in our office as a matter of public record.

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, 2015

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

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PAMELA J. SIMPSON
Certified Public Accountant

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, 2015, 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.

920 West Pershing Road • Decatur, Illinois 62526
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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, 2015 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 9 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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is not a required part of the financial statements. Further, the financial data schedules shown on pages 33 to 37 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are not a required part of the financial statements.

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

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards,* I have also issued my report dated May 10, 2016 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.

Pamela J. Simpson

Decatur, Illinois — Certified Public Accountant

May 10, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2015

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, 2015. 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, 2015 was $1,474,947. The net position decreased by $169,650, a decrease of 10.3% from the prior year.

- Revenues for the Authority were $1,392,109 for the year ended December 31, 2015. This was an increase of $37,010 or 2.7% over the prior year.

- Expenses for the Authority were $1,490,780 for the year ended December 31, 2015. This was an increase of $34,947 or 2.4% over the prior year.

- Rental revenue for the Authority was $301,318 for the year ended December 31, 2015, an increase of $12,457 or 4.3% over the prior year. HUD operating grants for the Authority was $1,026,908 for the year ended December 31, 2015, a decrease of $37,588 or 3.5% from the prior year. HUD capital grants for the Authority was $71,890 for the year ended December 31, 2015, an increase of $71,890.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Financial Statements (Continued)

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, 2015 and is required to be included in the audit reporting package.

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 $1,474,947 at the close of the year ended December 31, 2015 down from $1,644,597 in fiscal year 2014. The decrease in net position of $169,650 was due to the reasons noted below.

- Current assets include cash, investments, receivables, and prepaid expenses. Of the $106,321 decrease in this category, cash and investments decreased $57,742, receivables decreased $49,633, prepaid expenses decreased $1,496, and materials inventory increased $2,550.

- Capital assets decreased $63,242 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 $2,428 or 4.6% from FY 2014 mostly due to a decrease in utilities payable of $3,603 or 26.2%.

- Noncurrent liabilities increased $2,515 due to an increase in noncurrent portion of accrued compensated absences.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2015

FINANCIAL ANALYSIS (CONTINUED)

The unrestricted net position was $185,878 as of December 31, 2015. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays, excluding housing assistance, for four months. The Authority did not have any net position classified as restricted that is subject to external restrictions on how they may be used. 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.

CONDENSED STATEMENTS OF NET POSITION

	FY 2015	FY 2014	Dollar Change	Percent Change
Current assets	$ 241,579	$ 347,900	$ (106,321)	-30.6%
Capital assets	1,289,069	1,352,311	(63,242)	-4.7%
Total Assets	1,530,648	1,700,211	(169,563)	-10.0%
Deferred Outflows	-	-	-	0.0%
TOTAL	$ 1,530,648	$ 1,700,211	$ (169,563)	-10.0%
Current liabilities	$ 50,146	$ 52,574	$ (2,428)	-4.6%
Noncurrent liabilities	5,555	3,040	2,515	82.7%
Total Liabilities	55,701	55,614	87	0.2%
Deferred Inflows	-	-	-	0.0%
Net Position				
Net investment in capital assets	1,289,069	1,352,311	(63,242)	-4.7%
Restricted	-	4,218	(4,218)	-100.0%
Unrestricted	185,878	288,068	(102,190)	-35.5%
Total Net Position	1,474,947	1,644,597	$ (169,650)	-10.3%
TOTAL	$ 1,530,648	$ 1,700,211	$ (169,563)	-10.0%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2015

FINANCIAL ANALYSIS (CONTINUED)

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.

The 2014 approved capital grant (501-14) totals $70,979 and was 87.7% expended as of December 31, 2015. The following is a summary of individual grant line items, budget amount, percent expended as of 12/31/15, and development account:

Line No.	Amount	Percent	Development Account
1408	$ 6,150	100.0%	Management Improvements
1460	$ 64,829	86.5%	Dwelling Structures

The 2015 approved capital grant (501-15) totals $70,048 and was 36.8% expended as of December 31, 2015. The following is a summary of individual grant line items, budget amount, percent expended as of 12/31/15, and development account:

Line No.	Amount	Percent	Development Account
1406	$ 10,000	100.0%	Operations
1460	$ 60,848	26.3%	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 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 $37,010 due to the reasons noted below.

- Rental revenue increased $12,457 or 4.3% from FY 2014 primarily due to an increase in average dwelling rental charge per unit of $12.87 or 4.5%.

- Of the $37,588 decrease in HUD operating grants, operating subsidy received from HUD increased $2,186, housing choice voucher program assistance received from HUD increased $15,055, and capital fund grants used for operating expenditures decreased $54,829.

- Capital grant revenue increased $71,890 from FY 2014. 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.

- Fraud recovery revenue decreased $520 from FY 2014.

- Other revenue decreased $219 or 33.1% from FY 2014.

- Interest income decreased $136 or 24.2% from FY 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2015

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	FY 2015	FY 2014	Dollar Change	Percent Change
Revenues				
Operating - non-operating - capital contributions:				
Rental income	$ 301,318	$ 288,861	$ 12,457	4.3%
HUD operating grants	1,026,908	1,064,496	(37,588)	-3.5%
Capital grants	71,890	-	71,890	100.0%
Fraud recovery	-	520	(520)	-100.0%
Other revenue	442	661	(219)	-33.1%
Interest income	425	561	(136)	-24.2%
Gain (loss) on sale of fixed assets	(8,874)	-	(8,874)	-100.0%
Total Revenues	1,392,109	1,355,099	37,010	2.7%
Expenses				
Administration	207,753	186,793	20,960	11.2%
Tenant services	2,767	1,811	956	52.8%
Utilities	110,770	111,580	(810)	-0.7%
Ordinary maintenance & operation	168,206	135,605	32,601	24.0%
General expense	45,690	45,553	137	0.3%
Depreciation	121,603	133,192	(11,589)	-8.7%
Housing assistance payments	833,991	841,299	(7,308)	-0.9%
Total Expenses	1,490,780	1,455,833	34,947	2.4%
Excess (deficiency) before prior period adjustments	(98,671)	(100,734)	2,063	
Prior period adjustments	(70,979)	-	(70,979)	
Change in net position	(169,650)	(100,734)	(68,916)	
Beginning net position	1,644,597	1,745,331	(100,734)	
Ending net position	$ 1,474,947	$ 1,644,597	$ (169,650)	

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2015

FINANCIAL ANALYSIS (CONTINUED)

- The Authority had a $8,874 loss on disposal of equipment in FY 2015.

Total expenses increased $34,947 due to the reasons noted below.

- Administration increased $20,960 or 11.2% from FY 2014 mainly due to an increase in administrative wages and benefits of $12,340 or 8.2% and an increase in office and other administrative expenses of $4,843 or 16.7%. The Authority also had an increase in legal expenses of $2,782.

- Tenant services increased $956 or 52.8% from FY 2014.

- Utilities decreased $810 or 0.7% from 2014.

- Ordinary maintenance and operation increased $32,601 or 24.0% primarily due to an increase in contracted maintenance services of $21,630 or 54.8%. The Authority also had an increase in maintenance labor and benefits of $5,343 or 7.7% and an increase in maintenance materials of $5,628 or 21.1%.

- General expense increased $137 or 0.3% from FY 2014.

- The Authority had a $11,589 or 8.7% decrease in depreciation, which is the write-off of capital assets over their estimated useful life.

- Housing assistance payments decreased $7,308 or 0.9% due to a decrease in average housing assistance payment per voucher issued of $6.29 or 1.4%.

The Public Housing occupancy rate for fiscal year ended December 31, 2015 was 99.3%, up slightly from 99.1% in FY 2014.

The Authority is authorized to assist 203 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease-up rate for FY 2015 was 74.9%, up from 74.5% in FY 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2015

CAPITAL ASSETS

The Housing Authority of the City of Mt. Vernon, Indiana's net investment in capital assets as of December 31, 2015 amounts to $1,289,069 (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 4.7% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues were $76,735 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 $121,603. 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	Ending
Capital assets	$1,352,311	$76,735	$(121,603)	$(18,374)	$1,289,069

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 2016 Public Housing budget. The user charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on occupied units and approved vacancies, utility consumption and rates, approved add-ons, formula income, and transition funding. The amount of funding is also established and approved by HUD. Formula income is based on rental income from the Authority's rent roll records for the period specified by HUD. Operating expenses are expected to increase by the economy's inflation rate.

The Authority is eligible to receive $830,508 for housing assistance payments in FY 2016 for the Housing Choice Voucher Program. The Authority also has $81,733 available in HUD-Held Program Reserves to be used for housing assistance payments. Based on the average housing assistance payment per unit of $457.23 in FY 2015, the Authority will have sufficient funding and reserves to lease 81.9% of its authorized vouchers in FY 2016. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2016 and adjusted for pro-ration which is currently at 84%.

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 Irvin, 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, 2015

ASSETS		
Cash - operating		$ 131,762
Cash - restricted		10,436
Receivables (net)		22,967
Accrued interest receivable		30
Investments		50,986
Inventory (net)		23,245
Prepaid expenses		2,153
Capital assets:		
Land, land improvements and construction in progress	$ 361,498	
Other capital assets, net of depreciation	927,571	
Net Capital Assets		$ 1,289,069
Total Assets		$ 1,530,648
DEFERRED OUTFLOWS OF RESOURCES		$ 0
TOTAL		$ 1,530,648
LIABILITIES		
Accounts payable		$ 14,979
Other liabilities		34,971
Unearned revenue		196
Noncurrent liabilities:		
Earned compensated absences		5,555
Total Liabilities		$ 55,701
DEFERRED INFLOWS OF RESOURCES		$ 0
NET POSITION		
Net investment in capital assets		$ 1,289,069
Restricted		0
Unrestricted		185,878
Total Net Position		$ 1,474,947
TOTAL		$ 1,530,648

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, 2015

Operating Income	
Tenant rental revenue	$ 298,159
Tenant revenue - other	3,159
Total Rental Income	$ 301,318
HUD grants - operating	1,026,908
Other revenue	442
Gain (loss) on sale of capital assets	-8,874
Total Operating Income	$ 1,319,794
Operating Expenses	
Administration	$ 207,753
Tenant services	2,767
Utilities	110,770
Ordinary maintenance and operation	168,206
General expense	45,690
Housing assistance payments	833,991
Depreciation expense	121,603
Total Operating Expenses	$ 1,490,780
Net Operating Income (Loss)	$ -170,986
Nonoperating Income (Expense)	
Interest income	$ 425
Total Nonoperating Income (Expense)	$ 425
Capital Contributions	$ 71,890
Changes in net position	$ -98,671
Net position, beginning of year	1,644,597
Prior period adjustments (Note 21)	-70,979
Net position, end of year	$ 1,474,947

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, 2015

Operating Activities	
Operating grants	$ 1,074,918
Tenant revenue	300,523
Other revenue/expense	-8,432
Housing assistance payments	-833,991
Payments to employees	-191,002
Payments to suppliers and contractors	-413,712
Net Cash Provided (Used) by Operating Activities	$ -71,696
Investing Activities	
Investments (purchased) redeemed	$ -254
Interest income	425
Net Cash Provided (Used) by Investing Activities	$ 171
Capital and Related Financing Activities	
Capital fund grants	$ 71,890
(Additions) deletions to fixed assets	-58,361
Net Cash Provided (Used) by Capital and Related Financing Activities	$ 13,529
Net Change in Cash	$ -57,996
Cash Balance at December 31, 2014	200,194
Cash Balance at December 31, 2015	$ 142,198

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, 2015

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Net operating income (loss)	$ -170,986
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	121,603
Adjustments to net position	-70,979
(Increase) decrease in accounts receivable	49,633
(Increase) decrease in prepaid expenses	1,496
(Increase) decrease in inventories	-2,550
Increase (decrease) in accounts payable	-425
Increase (decrease) in other liabilities	2,241
Increase (decrease) in unearned revenue	-1,729
Net Cash Provided (Used) by Operating Activities	$ -71,696

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, 2015

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.

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

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(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:

* Public and Indian Housing
* Section 8 Housing Choice Vouchers
* Public Housing Capital Funds

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, 2015
(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, 2015, 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) Capital 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, 2015
(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 under Indiana state law as a political subdivision 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, 2015
(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, 2015
(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.

Program	Book Balance	Bank Balance
Public and Indian Housing	$ 169,244	$ 171,915
Section 8 Housing Choice Vouchers	23,940	24,318
Total	$ 193,184	$ 196,233

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 - Simplified Employee Pension - Individual Retirement Accounts

The PHA, through Board action, 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 $8,942 during the current year. Total related annual payroll was $191,002.

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.

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

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)

Note 6 - Accounts Receivable

Accounts receivable consists of the following accounts:

HUD other projects	$ 21,924
Tenants accounts receivable	711
Fraud recovery	332
Subtotal	$ 22,967
Interfund	17,590
Total	$ 44,557

Note 7 - Investments

At December 31, 2015 investments consist of the following:

	Rate	Cost	Fair Value
Certificates of deposit	0.50%	$ 50,986	$ 50,986

Note 8 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	$ 2,153

Note 9 - Capital Assets

Balance as of December 31, 2015	$ 1,289,069
Balance as of December 31, 2014	1,352,311
Net Increase (Decrease)	$ -63,242

Reconciliation

Property betterments and additions	$ 76,735	
Disposal on nonexpendable equipment	-18,374	
Current year depreciation expense	-121,603	*
Net Increase (Decrease)	$ -63,242	

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

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)

Note 9 - Capital Assets (Continued)

Analysis	01/01/2015 Balance	Additions/ Transfers	Deletions/ Transfers	12/31/2015 Balance
Land	$ 322,428	$ 0	$ 0	$ 322,428
Buildings	4,085,876	15,905	17,489	4,084,292
Equipment	214,190	0	81,587	132,603
Leasehold improvements	26,450	21,760	0	52,906
Construction in progress	0	39,070	0	39,070
Total	$ 4,653,640	$ 76,735	$ 99,076	$ 4,631,299
Accumulated depreciation	-3,301,329	80,702	121,603	* -3,342,230
Total	$ 1,352,311	$ 157,437	$ 220,679	$ 1,289,069

*Current year depreciation expense recognized.

Note 10 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	$ 4,739
Tenants security deposits	10,240
Subtotal	$ 14,979
Interfund	17,590
Total	$ 32,569

Note 11 - Other Liabilities

Other liabilities consists of the following:

Current Portion:	
Wages/payroll taxes payable	$ 9,868
Earned compensated absences	5,555
Payment in lieu of taxes	9,378
Utilities payable	10,170
Total Current Portion	$ 34,971
Noncurrent Portion:	
Earned compensated absences	5,555
Total	$ 40,526

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

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of December 31, 2015:

	01/01/2015 Balance	Increase	Decrease	12/31/2015 Balance
Earned compensated absence	$ 3,040	$ 2,515	$ 0	$ 5,555

Note 13 - Unearned Revenue

This classification consists of the following:

Tenants prepaid rent	$ 196

Note 14 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is based on a variable rate determined by HUD annually.

Note 15 - Allocation of Costs

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

Note 16 - Contingencies

Federal Grants

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

Note 21 - Prior Period Adjustments

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

To correct prior year accounts receivable - HUD	$ -70,979

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

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)

Note 22 - Contracts/Commitments

As of December 31, 2015, the Housing Authority had entered into the following pending construction projects in progress:

	Funds Approved	Funds Expended To Date
CFP 501-14	$ 70,979	$ 62,253
CFP 501-15	70,048	25,787
Total	$ 141,027	$ 88,040

Note 19 - 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.

Settled claims have not exceeded insurance coverage or the risk pool coverage in the current or past three years and there has been no significant reduction in insurance coverage during the fiscal year.

Note 20 - 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 21 - Restricted Net Position

When both restricted and unrestricted reserves are available for use, the Housing Authority's policy is to use restricted resources to fund restricted costs and then unrestricted resources as they are needed.

SUPPLEMENTAL DATA

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015

Federal Grantor/Program	Federal CFDA Number	Contract Number	Grant Period	Program Amount	Receipts or Revenue Recognized	Disbursements/ Expenditures	Expenditures to Sub-recipients
U.S. Department of HUD							
Direct Programs:							
Public and Indian Housing	14.850	C-2006	FYE 12/31/15	$ 103,259	$ 103,259	$ 103,259	$ 0
Public Housing - Capital Funds	14.872	C-2006	FYE 12/31/15	$ 141,027	$ 88,040	$ 88,040	$ 0
Section 8 Housing Choice Vouchers*	14.871	C-2006V	FYE 12/31/15	$ 907,499	$ 907,499	$ 907,499	$ 0
Total Housing Assistance				$ 1,151,785	$ 1,098,798	$ 1,098,798	$ 0

*Denotes major program.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED DECEMBER 31, 2015

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority City of Mt. Vernon (Authority) and is presented on the accrual basis of accounting.

The schedule summarizes the federal funds expended by the Authority under the programs of the federal government during the year ended December 31, 2015. The schedule of expenditures of federal awards displays the Authority's expenditures charged to federal programs for the year ended December 31, 2015, the cost principals in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has not implemented the 10 percent indirect cost rate allowed under the Uniform Guidance.

Note 2 – Sources of Funding

The schedule includes all grants and contracts entered into directly between the Authority and agencies and departments of the federal government, as well as federal funds passed-through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

The Authority did not receive any non-cash assistance from federal funds, had no federal insurance, nor have any loan or loan guarantees outstanding as of December 31, 2015.

PAMELA J. SIMPSON
Certified Public Accountant

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 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 City of Mt. Vernon, which comprise the statement of net position as of December 31, 2015, 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 May 10, 2016.

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 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.

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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority 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*.

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 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 City of Mt. Vernon's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pamela J. Simpson

Decatur, Illinois
May 10, 2016

Certified Public Accountant

PAMELA J. SIMPSON
Certified Public Accountant

Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Program
I have audited the Housing Authority City of Mt. Vernon's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of the Housing Authority City of Mt. Vernon's major federal programs for the year ended December 31, 2015. The Housing Authority City of Mt. Vernon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
My responsibility is to express an opinion on compliance for each of the Housing Authority 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and *the Uniform Guidance* 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 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 City of Mt. Vernon's compliance.

Opinion on Each Major Program
In my opinion, the Housing Authority City of Mt. Vernon complied, in all material respects, with the types of 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, 2015.

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Report on Internal Control Over Compliance

Management of the Housing Authority 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 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 *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority City of Mt. Vernon's internal control over compliance.

A *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 of a federal program 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 *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Pamela J. Simpson

Decatur, Illinois
May 10, 2016

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, 2014 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, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report: Unmodified

* 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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? _____ yes __X__ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

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 May 10, 2016.

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 May 10, 2016.

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

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	$107,822	$23,940	$131,762		$131,762
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits	$10,240		$10,240		$10,240
115 Cash - Restricted for Payment of Current Liabilities	$196		$196		$196
100 Total Cash	$118,258	$23,940	$142,198	$0	$142,198
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	$14,009	$7,915	$21,924		$21,924
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	$711		$711		$711
126.1 Allowance for Doubtful Accounts -Tenants	$0		$0		$0
126.2 Allowance for Doubtful Accounts - Other	$0	$0	$0		$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery		$332	$332		$332
128.1 Allowance for Doubtful Accounts - Fraud		$0	$0		$0
129 Accrued Interest Receivable	$30		$30		$30
120 Total Receivables, Net of Allowances for Doubtful Accounts	$14,750	$8,247	$22,997	$0	$22,997
131 Investments - Unrestricted	$50,986		$50,986		$50,986
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	$2,018	$135	$2,153		$2,153
143 Inventories	$23,245		$23,245		$23,245
143.1 Allowance for Obsolete Inventories	$0		$0		$0
144 Inter Program Due From	$17,590		$17,590	-$17,590	$0
145 Assets Held for Sale					
150 Total Current Assets	$226,847	$32,322	$259,169	-$17,590	$241,579
161 Land	$322,428		$322,428		$322,428
162 Buildings	$4,084,292		$4,084,292		$4,084,292
163 Furniture, Equipment & Machinery - Dwellings	$3,220		$3,220		$3,220
164 Furniture, Equipment & Machinery - Administration	$126,988	$2,395	$129,383		$129,383
165 Leasehold Improvements	$52,906		$52,906		$52,906
166 Accumulated Depreciation	-$3,340,043	-$2,187	-$3,342,230		-$3,342,230
167 Construction in Progress	$39,070		$39,070		$39,070
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	$1,288,861	$208	$1,289,069	$0	$1,289,069
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	$1,288,861	$208	$1,289,069	$0	$1,289,069
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	$1,515,708	$32,530	$1,548,238	-$17,590	$1,530,648

Mount Vernon Housing Authority (IN037)
MOUNT VERNON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	$2,434	$2,305	$4,739		$4,739
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	$9,073	$795	$9,868		$9,868
322 Accrued Compensated Absences - Current Portion	$4,983	$572	$5,555		$5,555
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	$9,378		$9,378		$9,378
341 Tenant Security Deposits	$10,240		$10,240		$10,240
342 Unearned Revenue	$196		$196		$196
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	$10,170		$10,170		$10,170
347 Inter Program - Due To		$17,590	$17,590	-$17,590	$0
348 Loan Liability - Current					
310 Total Current Liabilities	$46,474	$21,262	$67,736	-$17,590	$50,146
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	$4,983	$572	$5,555		$5,555
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	$4,983	$572	$5,555	$0	$5,555
300 Total Liabilities	$51,457	$21,834	$73,291	-$17,590	$55,701
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	$1,288,861	$208	$1,289,069		$1,289,069
511.4 Restricted Net Position					
512.4 Unrestricted Net Position	$175,390	$10,488	$185,878		$185,878
513 Total Equity - Net Assets / Position	$1,464,251	$10,696	$1,474,947	$0	$1,474,947
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$1,515,708	$32,530	$1,548,238	-$17,590	$1,530,648

Mount Vernon Housing Authority (IN037)
MOUNT VERNON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$298,159		$298,159		$298,159
70400 Tenant Revenue - Other	$3,159		$3,159		$3,159
70500 Total Tenant Revenue	$301,318	$0	$301,318	$0	$301,318
70600 HUD PHA Operating Grants	$119,409	$907,499	$1,026,908		$1,026,908
70610 Capital Grants	$71,890		$71,890		$71,890
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	$280	$145	$425		$425
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	$442		$442		$442
71600 Gain or Loss on Sale of Capital Assets	-$13,530	$4,656	-$8,874		-$8,874
72000 Investment Income - Restricted					
70000 Total Revenue	$479,809	$912,300	$1,392,109	$0	$1,392,109
91100 Administrative Salaries	$81,256	$47,265	$128,521		$128,521
91200 Auditing Fees	$2,288	$2,287	$4,575		$4,575
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing	$34	$34	$68		$68
91500 Employee Benefit contributions - Administrative	$22,760	$12,313	$35,073		$35,073
91600 Office Expenses	$12,899	$4,100	$16,999		$16,999
91700 Legal Expense	$2,782		$2,782		$2,782
91800 Travel	$1,822	$1,086	$2,908		$2,908
91810 Allocated Overhead					
91900 Other	$11,833	$4,994	$16,827		$16,827
91000 Total Operating - Administrative	$135,674	$72,079	$207,753	$0	$207,753
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	$2,767		$2,767		$2,767
92500 Total Tenant Services	$2,767	$0	$2,767	$0	$2,767

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Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
93100 Water	$7,235		$7,235		$7,235
93200 Electricity	$92,853		$92,853		$92,853
93300 Gas					
93400 Fuel					
93500 Labor					
93600 Sewer	$8,714		$8,714		$8,714
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense	$1,968		$1,968		$1,968
93000 Total Utilities	$110,770	$0	$110,770	$0	$110,770
94100 Ordinary Maintenance and Operations - Labor	$58,470		$58,470		$58,470
94200 Ordinary Maintenance and Operations - Materials and Other	$31,713	$590	$32,303		$32,303
94300 Ordinary Maintenance and Operations Contracts	$61,028	$70	$61,098		$61,098
94500 Employee Benefit Contributions - Ordinary Maintenance	$16,335		$16,335		$16,335
94000 Total Maintenance	$167,546	$660	$168,206	$0	$168,206
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	$15,521		$15,521		$15,521
96120 Liability Insurance	$2,028	$868	$2,896		$2,896
96130 Workmen's Compensation	$3,520		$3,520		$3,520
96140 All Other Insurance	$2,789	$685	$3,474		$3,474
96100 Total insurance Premiums	$23,858	$1,553	$25,411	$0	$25,411
96200 Other General Expenses					
96210 Compensated Absences	$8,152	$1,830	$9,982		$9,982
96300 Payments in Lieu of Taxes	$9,378		$9,378		$9,378
96400 Bad debt - Tenant Rents					
96500 Bad debt - Mortgages					
96600 Bad debt - Other		$919	$919		$919
96800 Severance Expense					
96000 Total Other General Expenses	$17,530	$2,749	$20,279	$0	$20,279
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	$458,145	$77,041	$535,186	$0	$535,186
97000 Excess of Operating Revenue over Operating Expenses	$21,664	$835,259	$856,923	$0	$856,923

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MOUNT VERNON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		$833,991	$833,991		$833,991
97350 HAP Portability-In					
97400 Depreciation Expense	$120,319	$1,284	$121,603		$121,603
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	$578,464	$912,316	$1,490,780	$0	$1,490,780
10010 Operating Transfer In	$16,150		$16,150	-$16,150	$0
10020 Operating transfer Out	-$16,150		-$16,150	$16,150	$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	-$98,655	-$16	-$98,671	$0	-$98,671
11020 Required Annual Debt Principal Payments	$0	$0	$0		$0
11030 Beginning Equity	$1,633,885	$10,712	$1,644,597		$1,644,597
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-$70,979		-$70,979		-$70,979
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		$10,696	$10,696		$10,696
11180 Housing Assistance Payments Equity		$0	$0		$0
11190 Unit Months Available	996	2004	3000		3000
11210 Number of Unit Months Leased	989	1824	2813		2813
11270 Excess Cash	$116,932		$116,932		$116,932
11610 Land Purchases	$0		$0		$0
11620 Building Purchases	$54,975		$54,975		$54,975
11630 Furniture & Equipment - Dwelling Purchases	$0		$0		$0
11640 Furniture & Equipment - Administrative Purchases	$0		$0		$0
11650 Leasehold Improvements Purchases	$21,760		$21,760		$21,760
11660 Infrastructure Purchases	$0		$0		$0
13510 CFFP Debt Service Payments	$0		$0		$0
13901 Replacement Housing Factor Funds	$0		$0		$0