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May 29, 2014

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

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2007 to December 31, 2007. 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, 2007 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

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

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

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**TWELVE MONTHS ENDED DECEMBER 31, 2007**

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

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# PAMELA J. SIMPSON, C.P.A.

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## Independent Auditor's Report

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

I have audited the accompanying financial statements of Housing Authority City of Mt. Vernon, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority City of Mt. Vernon, as of December 31, 2007 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 13, 2008, on my consideration of the Housing Authority City of Mt. Vernon's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

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

Decatur, Illinois  
August 13, 2008

*Pamela J. Simpson*  
Certified Public Accountant

**MT. VERNON HOUSING AUTHORITY**  
**MT. VERNON, INDIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2007**

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As management of the Mt Vernon Housing Authority ("Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 5.

**FINANCIAL HIGHLIGHTS**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,107,718.
- The Authority's cash and investment balance at December 31, 2007 was \$373,733 representing an increase of \$24,034 from December 31, 2006.
- Department of Housing and Urban Development grants amounting to \$1,070,518 were reported as revenues, an increase of \$59,464 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in net assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., earned but unused vacation leave).

The basic financial statements can be found on pages 7 - 10 of this report.

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. The notes to the financial statements can be found on pages 11 - 18 of this report.

**MT. VERNON HOUSING AUTHORITY  
MT. VERNON, INDIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2007**

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**FINANCIAL ANALYSIS OF THE AUTHORITY**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$2,107,718 at the close of the most recent fiscal year.

Mt Vernon Housing Authority – Net Assets  
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>	<u>Variances</u>	<u>Percentage Change</u>
Current Assets	387,767	360,609	27,158	8%
Capital Assets	1,783,531	1,789,781	(6,250)	0%
<b>Total Assets</b>	<b><u>2,171,298</u></b>	<b><u>2,150,390</u></b>	<b><u>20,908</u></b>	<b><u>1%</u></b>
Current Liabilities	56,196	46,544	9,652	21%
Noncurrent Liabilities	7,384	0	7,384	100%
<b>Total Liabilities</b>	<b><u>63,580</u></b>	<b><u>46,544</u></b>	<b><u>17,036</u></b>	<b><u>37%</u></b>
Net Invested in Capital Assets	1,770,607	1,789,781	(19,174)	-1%
Restricted Net Assets	145,026	0	145,026	100%
Unrestricted Net Assets	192,085	314,065	(121,980)	-39%
<b>Total Net Assets</b>	<b><u><u>2,107,718</u></u></b>	<b><u><u>2,103,846</u></u></b>	<b><u><u>3,872</u></u></b>	<b><u><u>0%</u></u></b>

The Authority's net assets increased \$3,872 during the current fiscal year. The increase was primarily due to an increase in funding and a decrease in operating expenses.

**MT. VERNON HOUSING AUTHORITY  
MT. VERNON, INDIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2007**

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending December 31, 2007 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$98,385
Housing Choice Vouchers	\$113,732
Capital Fund Program	\$858,401

Total revenues for Fiscal Year Ending December 31, 2007 were \$1,336,462 as compared to the total revenues for Fiscal Year Ending December 31, 2006 of \$1,237,368. Comparatively, Fiscal Year Ending 2007 revenues exceeded Fiscal Year Ending 2006 revenues by \$99,094.

Mt Vernon Housing Authority – Changes in Net Assets  
For The Year Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>Percentage Change</u>
Total Tenant Revenue	244,775	218,481	26,294	12%
HUD Operating Grants	956,786	879,505	77,281	9%
HUD Capital Grants	113,732	131,549	(17,817)	-14%
Investment Income	7,082	5,041	2,041	41%
Other Revenue	18,732	3,713	15,019	405%
Gain/Loss on Sale of Fixed Assets	(4,645)	(921)	(3,724)	404%
<b>Total Revenue</b>	<b><u>1,336,462</u></b>	<b><u>1,237,368</u></b>	<b><u>99,094</u></b>	<b><u>8%</u></b>

The increase in **other revenue** comes from a small community grant given to the Housing Authority.

**MT. VERNON HOUSING AUTHORITY  
MT. VERNON, INDIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2007**

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**BUDGETS**

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for funds receiving federal expenditure awards. All budgets are prepared on a basis prescribed by HUD which is materially consistent with generally accepted accounting principles. All annual appropriations lapse at year-end.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

CAPITAL ASSETS	<u>2007</u>	<u>2006</u>
Land, Buildings & Improvements	3,926,856	3,807,003
Furniture, equipment and machinery		
Dwellings	139,003	144,194
Less accumulated depreciation	<u>(2,282,328)</u>	<u>(2,161,416)</u>
Net Capital Assets	1,783,531	1,789,781

The Housing Authority financed the purchase of a vehicle during 2007 at zero percent interest. This was the only debt borrowed or outstanding in the current year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Although the level of federal funding is sometime difficult to predict, the Housing Authority will look at numerous options in order continue to assist the maximum number of households. They shall include restricting or denying portability moves, lowering payment standards, increasing minimum rents, or reviewing occupancy standards.

**REQUESTS FOR INFORMATION**

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

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2007**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 228,707
Accounts receivable (interfund eliminated)	101
Accrued interest receivable	1,281
Inventory	8,339
Deferred charges	<u>4,313</u>

Total Current Assets \$ 242,741

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 4,065,859
Less: Accumulated depreciation	<u>-2,282,328</u>

Net Capital Assets \$ 1,783,531

**OTHER RESTRICTED**

Cash - restricted	<u>\$ 145,026</u>
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Total Assets \$ 2,171,298

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable (interfund eliminated)	\$ 29,682
Notes payable	5,540
Accrued liabilities	20,803
Deferred revenue	<u>171</u>

Total Current Liabilities \$ 56,196

**NONCURRENT LIABILITIES**

Notes payable	<u>\$ 7,384</u>
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Total Noncurrent Liabilities \$ 7,384

**NET ASSETS**

Invested in capital assets	\$ 1,770,607
Restricted	145,026
Unrestricted	<u>192,085</u>

Total Net Assets \$ 2,107,718

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

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

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS  
DECEMBER 31, 2007**

Operating Income

Tenant rental revenue	\$ 242,991
Tenant revenue - other	<u>1,784</u>
Total Rental Income	\$ 244,775
HUD grants - operating	956,786
Other income	18,732
Gain/loss on sale of fixed assets	<u>-4,645</u>
Total Operating Income	<u>\$ 1,215,648</u>

Operating Expenses

Administration	\$ 201,906
Tenant services	2,568
Utilities	91,248
Ordinary maintenance and operation	115,054
General expense	41,570
Housing assistance payments	742,689
Depreciation expense	<u>137,555</u>
Total Operating Expenses	<u>\$ 1,332,590</u>
Net Operating Income (Loss)	<u>\$ -116,942</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 113,732
Interest income	<u>7,082</u>
Total Nonoperating Income (Expense)	<u>\$ 120,814</u>
Changes in net assets	\$ 3,872
Net assets, beginning of year	<u>2,103,846</u>
Net assets, end of year	<u><u>\$ 2,107,718</u></u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Operating Activities

Operating grants	\$ 956,786
Tenant revenue	248,809
Other revenue	14,087
Housing assistance payments	-742,689
Payments to employees	-143,751
Payments to suppliers and contractors	<u>-311,641</u>

Net Cash Provided (Used) by Operating Activities \$ 21,601

Investing Activities

Interest income	<u>\$ 7,082</u>
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Net Cash Provided (Used) by Investing Activities \$ 7,082

Capital and Related Financing Activities

HUD grants - capital	\$ 113,732
Additions (deletions) to fixed assets	-131,305
Issuance of debt	<u>12,924</u>

Net Cash Provided (Used)  
by Capital and Related Financing Activities \$ -4,649

Net Change in Cash \$ 24,034

Cash Balance at December 31, 2006 349,699

Cash Balance at December 31, 2007 \$ 373,733

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Net operating income (loss)	\$ -116,942
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	137,555
(Increase) decrease in accounts receivable	13,874
(Increase) decrease in deferred charges	-1,445
(Increase) decrease in inventories	-4,428
(Increase) decrease in interest receivable	-895
Increase (decrease) in accounts payable	-13,033
Increase (decrease) in accrued liabilities	6,745
Increase (decrease) in deferred revenues	<u>170</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 21,601</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Note 1 - Summary of Significant Accounting Policies

(a) Organization -

The Housing Authority City of Mt. Vernon was established by the City of Mt. Vernon pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Mt. Vernon and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority City of Mt. Vernon is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Funds -

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

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

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

*Proprietary Fund Types:*

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

(d) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. Highly liquid is defined as those investments that have a maturity date of less than one month at the date of purchase.

(e) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2007, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Fixed Assets -

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

If the initial cost of a piece of equipment and/or other personal property is one thousand dollars (\$1,000) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Buildings	40	years
Equipment	5 - 10	years
Transportation equipment	5	years
Leasehold improvements	15	years

(h) Income Tax -

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

(i) Annual Contributions/Subsidies and Other Grants

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

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

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (j) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted to the Board of Commissioners.
- (k) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

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

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

*Custodial Credit Risk*

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

*Credit Risk Investments, Concentration of Credit Risk and Interest Rate Risks - Investments*

*Credit Risk* is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

*Concentrations of Credit Risk* is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

*Investment Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(CONTINUED)**

Note 2 - Cash and Investments

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 74,186	\$ 81,611
Voucher	<u>299,547</u>	<u>300,528</u>
Total	<u>\$ 373,733</u>	<u>\$ 382,139</u>

Note 3 - Compensated Absences

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

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

Note 4 - Defined Contribution Plan

The Authority has established a pension plan with voluntary enrollment for all regular full-time employees. After the probationary period is completed the employee may participate with the minimum of \$10 per pay period. The Authority participates for each employee that enrolls an amount set at annual budget hearing minimum of \$5 per pay period. Investment of the pension plan is up to each employee. Employees contributed \$900, while the Authority contributed \$225 for the fiscal year.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 101
Interfund	<u>129,311</u>
Total	<u>\$ 129,412</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 4,313</u>
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Note 7 - Fixed Assets

Balance as of December 31, 2007	\$ 1,783,531
Balance as of December 31, 2006	<u>1,789,781</u>
Net Increase (Decrease)	<u>\$ -6,250</u>

Reconciliation

Additions	\$ 135,950
Dispositions	-4,645
Current year depreciation expense	<u>-137,555</u>
Net Increase (Decrease)	<u>\$ -6,250</u>

Analysis

	<u>01/01/2007 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2007 Balance</u>
Land	\$ 322,428	\$ 0	\$ 0	\$ 322,428
Buildings	1,600,442	92,773	0	1,693,215
Equipment	144,194	26,543	31,734	139,003
Leasehold improvements	1,758,303	76,264	0	1,834,567
Construction in progress	<u>125,830</u>	<u>118,253</u>	<u>167,437</u>	<u>76,646</u>
Total	\$ 3,951,197	\$ 313,833	\$ 199,171	\$ 4,065,859
Accumulated depreciation	<u>-2,161,416</u>	<u>16,643</u>	<u>137,555</u>	<u>-2,282,328</u>
Total	<u>\$ 1,789,781</u>	<u>\$ 330,476</u>	<u>\$ 336,726</u>	<u>\$ 1,783,531</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(CONTINUED)**

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 15,290
Tenants security deposits	10,501
Payroll taxes payable	<u>3,891</u>
Subtotal	\$ 29,682
Interfund	<u>129,311</u>
Total	<u>\$ 158,993</u>

Note 9 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued compensated absences	\$ 4,711
Payment in lieu of taxes	<u>16,092</u>
Total	<u>\$ 20,803</u>

Note 10 - Deferred Revenue

This classification consists of the following accounts:

Prepaid rent	<u>\$ 171</u>
--------------	---------------

Note 11 - Long Term Debt

The Housing Authority financed a 2007 Chevy Equinox for \$16,717.24. There are 36 payments of \$461.59 due the 18<sup>th</sup> of each month starting May 18, 2007.

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

<u>Due Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 5,540	\$ 0
2009	5,540	0
2010	1,844	0
2011	0	0
2012	0	0
Thereafter	0	0

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2007  
(CONTINUED)**

Note 12 - Administrative Fee

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

Note 13 - Allocation of Costs

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

Note 14 - Contingencies

Federal Grants

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

Note 15 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure to the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

For insured programs there has been no significant reduction in insurance coverages in the current or past three years.

Note 16 - Economic Dependency

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

**SUPPLEMENTAL DATA**

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007**

<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 12/31/07	\$ 98,385	\$ 98,385	\$ 98,385
Public Housing - Capital Funds	14.872	C-2006	FYE 12/31/07	\$ 181,645	\$ 113,732	\$ 113,732
Housing Choice Voucher Program*	14.871	C-2006V	FYE 12/31/07	\$ 858,401	\$ 858,401	\$ 858,401
Total Housing Assistance				<u>\$ 1,138,431</u>	<u>\$ 1,070,518</u>	<u>\$ 1,070,518</u>

\*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)  
TWELVE MONTHS ENDED DECEMBER 31, 2007**

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

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

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

<u>ASSETS</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 74,186	\$ 0	\$ 154,521
Accounts receivable	129,412	0	0
Accrued interest receivable	305	0	976
Inventory	8,339	0	0
Deferred charges	<u>4,160</u>	<u>0</u>	<u>153</u>
Total Current Assets	<u>\$ 216,402</u>	<u>\$ 0</u>	<u>\$ 155,650</u>
<b>CAPITAL ASSETS</b>			
Land, buildings and equipment	\$ 3,882,667	\$ 169,419	13,773
Less: Accumulated depreciation	<u>-2,276,867</u>	<u>-1,507</u>	<u>-3,954</u>
Net Capital Assets	<u>\$ 1,605,800</u>	<u>\$ 167,912</u>	<u>\$ 9,819</u>
<b>OTHER RESTRICTED</b>			
Cash - restricted	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 145,026</u>
Total Assets	<u>\$ 1,822,202</u>	<u>\$ 167,912</u>	<u>\$ 310,495</u>
<b><u>LIABILITIES</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 29,578	\$ 0	\$ 129,415
Notes payable	2,770	0	2,770
Accrued liabilities	19,543	0	1,260
Deferred revenue	<u>171</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>\$ 52,062</u>	<u>\$ 0</u>	<u>\$ 133,445</u>
<b>NONCURRENT LIABILITIES</b>			
Notes payable	<u>\$ 3,692</u>	<u>\$ 0</u>	<u>\$ 3,692</u>
Total Noncurrent Liabilities	<u>\$ 3,692</u>	<u>\$ 0</u>	<u>\$ 3,692</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets	\$ 1,599,338	\$ 167,912	\$ 3,357
Restricted	0	0	145,026
Unrestricted	<u>167,110</u>	<u>0</u>	<u>24,975</u>
Total Net Assets	<u>\$ 1,766,448</u>	<u>\$ 167,912</u>	<u>\$ 173,358</u>

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

**STATEMENT OF REVENUE AND EXPENDITURES  
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Operating Income</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Tenant rental revenue	\$ 242,991	\$ 0	\$ 0
Tenant revenue - other	<u>1,784</u>	<u>0</u>	<u>0</u>
Total Rental Income	\$ 244,775	\$ 0	\$ 0
HUD grants - operating	98,385	0	858,401
Other income	12,000	0	6,732
Gain/loss on sale of fixed assets	<u>-4,397</u>	<u>0</u>	<u>-248</u>
Total Operating Income	<u>\$ 350,763</u>	<u>\$ 0</u>	<u>\$ 864,885</u>
 <u>Operating Expenses</u>			
Administration	\$ 107,604	\$ 0	\$ 94,302
Tenant services	2,568	0	0
Utilities	91,248	0	0
Ordinary maintenance and operation	114,893	0	161
General expense	40,066	0	1,504
Housing assistance payments	0	0	742,689
Depreciation expense	<u>134,717</u>	<u>1,206</u>	<u>1,632</u>
Total Operating Expenses	<u>\$ 491,096</u>	<u>\$ 1,206</u>	<u>\$ 840,288</u>
Net Operating Income (Loss)	<u>\$ -140,333</u>	<u>\$ -1,206</u>	<u>\$ 24,597</u>
 <u>Nonoperating Income (Loss)</u>			
HUD grants - capital	\$ 0	\$ 113,732	\$ 0
Interest income	<u>2,913</u>	<u>0</u>	<u>4,169</u>
Total Nonoperating Income (Loss)	<u>\$ 2,913</u>	<u>\$ 113,732</u>	<u>\$ 4,169</u>
Changes in Net Assets	<u>\$ -137,420</u>	<u>\$ 112,526</u>	<u>\$ 28,766</u>

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

**STATEMENT OF CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Invested in Capital Assets</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Balance at December 31, 2006	\$ 1,653,494	\$ 134,896	\$ 1,391
Transfer	79,510	-79,510	0
Current year net income (loss)	<u>-133,666</u>	<u>112,526</u>	<u>1,966</u>
Balance at Balance at December 31, 2007	<u>\$ 1,599,338</u>	<u>\$ 167,912</u>	<u>\$ 3,357</u>
 <u>Restricted Net Assets</u>			
Balance at December 31, 2006	\$ 0	\$ 0	\$ 0
Transfer	0	0	113,251
Current year net income (loss)	<u>0</u>	<u>0</u>	<u>31,775</u>
Balance at Balance at December 31, 2007	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 145,026</u>
 <u>Unrestricted Net Assets</u>			
Balance at December 31, 2006	\$ 170,864	\$ 0	\$ 143,201
Transfer	0	0	-113,251
Current year net income (loss)	<u>-3,754</u>	<u>0</u>	<u>-4,975</u>
Balance at Balance at December 31, 2007	<u>\$ 167,110</u>	<u>\$ 0</u>	<u>\$ 24,975</u>
Total Net Assets	<u>\$ 1,766,448</u>	<u>\$ 167,912</u>	<u>\$ 173,358</u>

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

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Operating grants	\$ 98,385	\$ 0	\$ 858,401
Tenant revenue	248,809	0	0
Other revenue	7,603	0	6,484
Housing assistance payments	0	0	-742,689
Payments to employees	-93,933	0	-49,818
Payments to suppliers and contractors	<u>-262,621</u>	<u>0</u>	<u>-49,020</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -1,757</u>	<u>\$ 0</u>	<u>\$ 23,358</u>
 <u>Investing Activities</u>			
Interest income	<u>\$ 2,913</u>	<u>\$ 0</u>	<u>\$ 4,169</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 2,913</u>	<u>\$ 0</u>	<u>\$ 4,169</u>
 <u>Capital and Related Financing Activities</u>			
HUD grants - capital	\$ 0	\$ 113,732	\$ 0
Additions (deletions) to fixed assets	-7,513	-113,732	-10,060
Issuance of debt	<u>6,462</u>	<u>0</u>	<u>6,462</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -1,051</u>	<u>\$ 0</u>	<u>\$ -3,598</u>
Net Change in Cash	\$ 105	\$ 0	\$ 23,929
Cash Balance at December 31, 2006	<u>74,081</u>	<u>0</u>	<u>275,618</u>
Cash Balance at December 31, 2007	<u>\$ 74,186</u>	<u>\$ 0</u>	<u>\$ 299,547</u>

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

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Reconciliation of Operating Income (Loss) to Net Cash</u> <u>Provided (Used) by Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Net operating income (loss)	\$ -140,333	\$ -1,206	\$ 24,597
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Depreciation	134,717	1,206	1,632
(Increase) decrease in accounts receivable	7,774	6,100	0
(Increase) decrease in deferred charges	-1,930	0	485
(Increase) decrease in inventories	-4,428	0	0
(Increase) decrease in interest receivable	-305	0	-590
Increase (decrease) in accounts payable	-2,907	-6,100	-4,026
Increase (decrease) in accrued liabilities	5,485	0	1,260
Increase (decrease) in deferred revenues	<u>170</u>	<u>0</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -1,757</u>	<u>\$ 0</u>	<u>\$ 23,358</u>

# PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

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

I have audited the financial statements of the governmental activities of Housing Authority City of Mt. Vernon as of and for the year ended December 31, 2007, which collectively comprise the Housing Authority City of Mt. Vernon's basic financial statements and have issued my report thereon dated August 13, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

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

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

### Compliance and Other Matters

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

I noted certain matters that we reported to management of Housing Authority City of Mt. Vernon, in a separate letter dated August 13, 2008.

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

Decatur, Illinois  
August 13, 2008

*Pamela J. Simpson*  
Certified Public Accountant

# PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

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

### **Compliance**

I have audited the compliance of Housing Authority City of Mt. Vernon with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Housing Authority City of Mt. Vernon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority City of Mt. Vernon's management. My responsibility is to express an opinion on Housing Authority City of Mt. Vernon's compliance based on my audit.

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

In my opinion, Housing Authority City of Mt. Vernon complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007. However, the results of my auditing procedures disclosed no instances of noncompliance with those requirements.

### **Internal Control Over Compliance**

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

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

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

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority City of Mt. Vernon in a separate letter dated August 13, 2008.

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

Decatur, Illinois  
August 13, 2008

*Pamela J. Simpson*  
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, 2006 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, 2007**

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

Low Risk Auditee \_\_\_\_\_ yes X no

*Financial Statements*

Type of auditor's report: Unqualified

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

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

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

*Federal Awards*

Internal control over major programs:

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

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

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

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

Major Programs: (Threshold \$300,000)

CFDA Number(s)

Housing Choice Voucher Program

14.871

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

**CURRENT FINDINGS AND RECOMMENDATIONS**

**Section II - Financial Statement Findings**

There were no financial statement audit findings discussed with Terri Austin, Executive Director, during the course of the audit or at an exit conference held August 5, 2008.

**Section III - Federal Award Findings**

There were no federal award audit findings discussed with Terri Austin, Executive Director, during the course of the audit or at an exit conference held August 5, 2008.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2007**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Tenant revenues	3420	\$ 496.00		2806.512
Cash - unrestricted	1111.04		\$ 496.00	1111.04
(To adjust cash to actual for two cash reconciling items that will not clear)				
(2)				
Furniture, equipment - admin	1400.09	\$ 1,058.66		1400.09
Loan payable - auto	2119.01		\$ 1,058.66	2119.012
(To adjust the value of the vehicle and the loan payable to actual)				
(3)				
Maintenance materials	4420	\$ 608.32		2806.512
Electricity	4320	8,640.61		2806.512
Office expense	4190.02	188.03		2806.512
Other admin & sundry	4190.512	2,542.15		2806.512
Vendors and contractors	2111		\$ 11,979.11	2111
(To record additional vendor payables per examination of subsequent payments)				
(4)				
Insurance expense	4510	\$ 3,664.33		2806.512
Interfund to/from Voucher	1295.002		\$ 90.70	1295.002
Prepaid insurance	1211		3,573.63	1211
(To correct prepaid insurance based on terms of policies and to correct amount allocated to Voucher program per discussion with Housing Authority)				
<u>Voucher</u>				
(1)				
Furniture, equipment & mech	1490.092	\$ 1,058.58		1490.09
Loan payable	2119.01		\$ 1,058.58	2119.01
(To adjust the value of vehicle and the loan payment to actual)				
(2)				
Insurance expense	4510	\$ 303.75		2810.002
Interfund to/from Low Rent	2145.001	90.70		2145.001
Prepaid insurance	1211		\$ 394.45	1211
(To correct prepaid insurance per policy terms and amount that was allocated to Voucher program)				
(3)				
Other admin & sundry	4190	\$ 103.88		2810.002
Vendors and contractors	2111		\$ 103.88	2111
(To record additional vendor payable per examination of subsequent payments)				

## PHA: IN037 FYED: 12/31/2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$63,685	\$154,521	\$0	\$218,206
113	Cash - Other Restricted	\$0	\$145,026	\$0	\$145,026
114	Cash - Tenant Security Deposits	\$10,501	\$0	\$0	\$10,501
100	Total Cash	\$74,186	\$299,547	\$0	\$373,733
125	Accounts Receivable - Miscellaneous	\$101	\$0	\$0	\$101
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$305	\$976	\$0	\$1,281
120	Total Receivables, net of allowances for doubtful accounts	\$406	\$976	\$0	\$1,382
142	Prepaid Expenses and Other Assets	\$4,160	\$153	\$0	\$4,313
143	Inventories	\$8,339	\$0	\$0	\$8,339
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$129,311	\$0	\$0	\$129,311
150	Total Current Assets	\$216,402	\$300,676	\$0	\$517,078
161	Land	\$322,428	\$0	\$0	\$322,428
162	Buildings	\$1,600,442	\$0	\$82,773	\$1,683,215
163	Furniture, Equipment & Machinery - Dwellings	\$52,928	\$0	\$0	\$52,928
164	Furniture, Equipment & Machinery - Administration	\$72,302	\$13,773	\$0	\$86,075
165	Leasehold Improvements	\$1,834,567	\$0	\$0	\$1,834,567
166	Accumulated Depreciation	\$-2,276,867	\$-3,954	\$-1,507	\$-2,282,328
167	Construction In Progress	\$0	\$0	\$76,646	\$76,646
160	Total Fixed Assets, Net of Accumulated Depreciation	\$1,605,800	\$9,819	\$167,912	\$1,783,531
180	Total Non-Current Assets	\$1,605,800	\$9,819	\$167,912	\$1,783,531
190	Total Assets	\$1,822,202	\$310,495	\$167,912	\$2,300,609

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Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
312	Accounts Payable <= 90 Days	\$15,186	\$104	\$0	\$15,290
321	Accrued Wage/Payroll Taxes Payable	\$3,891	\$0	\$0	\$3,891
322	Accrued Compensated Absences - Current Portion	\$3,451	\$1,260	\$0	\$4,711
333	Accounts Payable - Other Government	\$16,092	\$0	\$0	\$16,092
341	Tenant Security Deposits	\$10,501	\$0	\$0	\$10,501
342	Deferred Revenues	\$171	\$0	\$0	\$171
348	Loan Liability - Current	\$2,770	\$2,770	\$0	\$5,540
347	Interprogram Due To	\$0	\$129,311	\$0	\$129,311
310	Total Current Liabilities	\$52,062	\$133,445	\$0	\$185,507
355	Loan Liability - Non Current	\$3,692	\$3,692	\$0	\$7,384
350	Total Noncurrent Liabilities	\$3,692	\$3,692	\$0	\$7,384
300	Total Liabilities	\$55,754	\$137,137	\$0	\$192,891
508	Total Contributed Capital	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$1,599,338	\$3,357	\$167,912	\$1,770,607
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$145,026	\$0	\$145,026
512.1	Unrestricted Net Assets	\$167,110	\$24,975	\$0	\$192,085
513	Total Equity/Net Assets	\$1,766,448	\$173,358	\$167,912	\$2,107,718
600	Total Liabilities and Equity/Net Assets	\$1,822,202	\$310,495	\$167,912	\$2,300,609

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Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$242,991	\$0	\$0	\$242,991
704	Tenant Revenue - Other	\$1,784	\$0	\$0	\$1,784
705	Total Tenant Revenue	\$244,775	\$0	\$0	\$244,775
706	HUD PHA Operating Grants	\$98,385	\$858,401	\$0	\$956,786
706.1	Capital Grants	\$0	\$0	\$113,732	\$113,732
711	Investment Income - Unrestricted	\$2,913	\$876	\$0	\$3,789
715	Other Revenue	\$12,000	\$6,732	\$0	\$18,732
716	Gain/Loss on Sale of Fixed Assets	\$-4,397	\$-248	\$0	\$-4,645
720	Investment Income - Restricted	\$0	\$3,293	\$0	\$3,293
700	Total Revenue	\$353,676	\$869,054	\$113,732	\$1,336,462

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Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$49,712	\$49,818	\$0	\$99,530
912	Auditing Fees	\$2,100	\$2,100	\$0	\$4,200
914	Compensated Absences	\$3,451	\$1,260	\$0	\$4,711
915	Employee Benefit Contributions - Administrative	\$22,405	\$10,162	\$0	\$32,567
916	Other Operating - Administrative	\$29,936	\$30,962	\$0	\$60,898
924	Tenant Services - Other	\$2,568	\$0	\$0	\$2,568
931	Water	\$18,705	\$0	\$0	\$18,705
932	Electricity	\$72,543	\$0	\$0	\$72,543
941	Ordinary Maintenance and Operations - Labor	\$43,308	\$0	\$0	\$43,308
942	Ordinary Maintenance and Operations - Materials and Other	\$19,656	\$0	\$0	\$19,656
943	Ordinary Maintenance and Operations - Contract Costs	\$48,278	\$161	\$0	\$48,439
945	Employee Benefit Contributions - Ordinary Maintenance	\$3,651	\$0	\$0	\$3,651
961	Insurance Premiums	\$23,346	\$979	\$0	\$24,325
962	Other General Expenses	\$0	\$525	\$0	\$525
963	Payments in Lieu of Taxes	\$16,092	\$0	\$0	\$16,092
964	Bad Debt - Tenant Rents	\$628	\$0	\$0	\$628
969	Total Operating Expenses	\$356,379	\$95,967	\$0	\$452,346
970	Excess Operating Revenue over Operating Expenses	\$-2,703	\$773,087	\$113,732	\$884,116
973	Housing Assistance Payments	\$0	\$742,689	\$0	\$742,689
974	Depreciation Expense	\$134,717	\$1,832	\$1,206	\$137,555
999	Total Expenses	\$491,096	\$840,288	\$1,206	\$1,332,590
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$-137,420	\$28,766	\$112,526	\$3,872

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Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$1,824,358	\$144,592	\$134,896	\$2,103,846
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$79,510	\$0	\$-79,510	\$0
1120	Unit Months Available	1,008	2,003	0	3,011
1121	Number of Unit Months Leased	993	1,946	0	2,939
1117	Administrative Fee Equity	\$0	\$28,332	\$0	\$28,332
1118	Housing Assistance Payments Equity	\$0	\$145,026	\$0	\$145,026

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# **PAMELA J. SIMPSON, C.P.A.**

**433 WEST PERSHING ROAD**

**DECATUR, ILLINOIS 62526**

**(217) 872-1908**

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

In planning and performing my audit of the financial statements of the Housing Authority of Mt. Vernon as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Mt. Vernon 's internal control. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Mt. Vernon 's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

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

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

1. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999. During my review of current depositories, I noted that the housing authority did not have a current executed form from at least one financial institution holding agency funds. I recommend that the Authority execute new depository agreements with all new financial institutions and for any that have undergone ownership or name changes.
2. During my review of insurance coverage, I noted that the Housing Authority maintains a 'position' surety bond. While this type of bond coverage is allowable, it only provides surety coverage for those individuals/positions named in the bond. I suggest that the Housing Authority investigate the possibility of adding a more comprehensive blanket bond for surety/bonding insurance purposes.

3. While reviewing the Housing Authority's system of internal controls, it came to my attention that not all internal control procedures being followed have been included in the written policy/procedural manual.

In addition to the current policies/procedures, I suggest that the written manual be expanded to include: (a) approval of journal entries (hard copies initialed or signed) (b) documentation of approval of payroll (payroll registers should be initialed or signed) (c) credit card use (full explanation of the purpose of travel, meals and meetings attached to supporting invoices) (d) personal use of agency assets (such as automobile, cell phone, etc) (e) reconciliation of rent rolls and HAP registers with written documentation of approval and (f) method of maintenance inventory physical inventory reconciliation and valuation methods. The written policies should also cover the extent that outside consultants are used to provide internal controls.

A more detailed written manual will aid in the training of new staff, assure management of consistency in policy application as well as accurate financial reporting. Expand internal controls for more specific procedures.

4. During the review of cash reconciliations, it was noted that some reconciling items from prior periods were still being used in the reconciliations. The Housing Authority should adopt a policy for investigating and clearing reconciling items on a monthly basis.
5. It was noted that at the end of the current fiscal year, some employees were given special permission to carry over accrued time off to the subsequent fiscal year. The liability was properly recorded in the financial statements, but a complete detailed calculation could not be provided. All accounts and amounts recorded in the financial statements must be fully supported.
6. During the test of Section 8 files, the following comments were discussed: (1) a prior year medical deduction was given for current year, (2) wage income not calculated consistently, and (3) a child listed on 50058 was not listed on personal declaration.

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

Decatur, Illinois  
August 13, 2008

*Pamela J. Simpson*  
Certified Public Accountant