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November 14, 2018

Board of Commissioners  
Housing Authority City of Mt. Vernon  
1500 Jefferson Drive  
Mount Vernon, IN 47620

We have reviewed the audit report prepared by Audit Solutions LLC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. 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, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts.

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

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

Paul D. Joyce, CPA  
State Examiner

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

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**TABLE OF CONTENTS**

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	<b><u>PAGE</u></b>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	i-vii
Basic Financial Statements:	
Statement of Net Position	3-4
Statement of Revenue, Expenses and Changes in Net Position	5
Statement of Cash Flows	6-7
Notes to the Basic Financial Statements	8-17
<b>SUPPLEMENTAL INFORMATION</b>	
PHA's Statement of Certification of Actual Modernization Costs	18
Schedule of Expenditures of Federal Awards	19
Financial Data Schedule	20-22
<b>COMPLIANCE SECTION</b>	
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 <i>Government Auditing Standards</i>	23-24
Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	25-26
Schedule of Findings and Questioned Costs	27

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Mt. Vernon (Authority), Indiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority'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 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 from 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 entity'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 entity'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 evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Mt. Vernon, Indiana, as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages i-vii 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 to 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.

***Supplementary Information***

My audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Housing Authority of the City of Mt. Vernon, Indiana’s basic financial statements. The accompanying PHA’s Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 also not a required part of the basic financial statements.

The accompanying PHA’s Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 accompanying PHA’s Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated July 3, 2018, on my consideration of the Housing Authority of the City of Mt. Vernon, Indiana’s internal control over financial reporting and on 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Mt. Vernon, Indiana’s internal control over financial reporting and compliance.

***Audit Solutions, LLC***

Chesterfield, Missouri

July 3, 2018

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
December 31, 2017

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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, 2017. 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, 2017 was \$1,363,230. The net position decreased by \$83,850 a decrease of 5.8% from the prior year.
- Revenues for the Authority were \$1,459,854 for the year ended December 31, 2017. This was a decrease of \$32,503 or 2.2% from the prior year.
- Expenses for the Authority were \$1,543,804 for the year ended December 31, 2017. This was an increase of \$23,480 or 1.5% over the prior year.
- Rental revenue for the Authority was \$319,322 or 21.9% of total revenues for the year ended December 31, 2017. This was an increase of \$10,720 or 3.5% over the prior year. HUD operating grants for the Authority was \$1,082,155 or 74.1% of total revenues for the year ended December 31, 2017. This was a decrease of \$22,911 or 2.1% from the prior year. HUD capital grants for the Authority was \$56,258 or 3.9% of total revenues for the year ended December 31, 2017, a decrease of \$23,158 or 29.1% from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**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) - (Continued)  
December 31, 2017

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**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, 2017 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 \$1,363,230 at the close of the year ended December 31, 2017 down from \$1,447,080 in fiscal year 2016. The decrease in net position of \$83,850 was due to the reasons noted below.

- Current assets were \$215,910 or 15.0% of total assets for FY 2017 and include cash, investments, receivables, and prepaid expenses. Of the \$97,277 decrease in this category, cash and investments decreased \$66,087, receivables decreased \$20,177, prepaid expenses decreased \$2,378, and materials inventory decreased \$8,635.
- Capital assets were \$1,218,917 or 85% of total assets for FY 2017 and decreased \$60,212 from FY 2016. Decrease in capital assets was the result of current year depreciation exceeding current year additions. Change in capital assets is explained in section titled "Capital Assets" of this analysis.

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)**  
December 31, 2017

**FINANCIAL ANALYSIS (CONTINUED)**

- Current liabilities increased \$6,563 or 10.1% from FY 2016 mostly due to increases in accounts payable of \$8,383 and current portion of accrued compensated absences of \$6,889. This was partially offset by a decrease in unearned revenues of \$7,225.
- The Authority had deferred inflows of \$73,881 for FY 2016 resulting from HUD funding received in advance for housing assistance payments.
- Noncurrent liabilities decreased \$6,321 due to a decrease in noncurrent portion of accrued compensated absences.

The unrestricted net position was \$137,449 as of December 31, 2017. 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 three months. The restricted net position resulting from excess Housing Choice Voucher HAP funding was \$6,864 as of December 31, 2017. This amount may only be used for housing assistance payments. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

**CONDENSED STATEMENTS OF NET POSITION**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 215,910	\$ 313,187	\$ (97,277)	-31.1%
Capital assets	1,218,917	1,279,129	(60,212)	-4.7%
Total Assets	<u>1,434,827</u>	<u>1,592,316</u>	<u>(157,489)</u>	-9.9%
Deferred Outflows	-	-	-	0.0%
TOTAL	<u>\$ 1,434,827</u>	<u>\$ 1,592,316</u>	<u>\$ (157,489)</u>	-9.9%
Current liabilities	\$ 71,597	\$ 65,034	\$ 6,563	10.1%
Noncurrent liabilities	-	6,321	(6,321)	-100.0%
Total Liabilities	<u>71,597</u>	<u>71,355</u>	<u>242</u>	0.3%
Deferred Inflows	-	73,881	(73,881)	-100.0%
Net Position				
Net investment in capital assets	1,218,917	1,279,129	(60,212)	-4.7%
Restricted	6,864	11,984	(5,120)	-42.7%
Unrestricted	137,449	155,967	(18,518)	-11.9%
Total Net Position	<u>1,363,230</u>	<u>1,447,080</u>	<u>\$ (83,850)</u>	-5.8%
TOTAL	<u>\$ 1,434,827</u>	<u>\$ 1,592,316</u>	<u>\$ (157,489)</u>	-9.9%

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)  
December 31, 2017

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**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.

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 decreased \$32,503 due to the reasons noted below.

- Rental revenue increased \$10,720 or 3.5% from FY 2016 primarily due to an increase in average dwelling rental charge per unit of \$9.31 or 3.0%. The Authority also had a \$1,839 increase in other tenant charges besides rent.
- Of the \$22,911 decrease in HUD operating grants, operating subsidy received from HUD decreased \$14,894, housing choice voucher program assistance received from HUD decreased \$1,742, and capital fund grants used for operating expenditures decreased \$6,275.
- Capital grant revenue decreased \$23,158 from FY 2016. 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 \$572 from FY 2016.
- Other revenue increased \$1,007 or 162.2% from FY 2016.
- Interest income decreased \$4 or 0.8% from FY 2016.
- The Authority had a \$2,415 loss on disposal of equipment in FY 2016.

Total expenses increased \$23,480 due to the reasons noted below.

- Administration was \$194,764 or 12.6% of total expenses for FY 2017 and decreased \$22,715 or 10.4% from FY 2016. Decrease in administration was primarily due to a decrease in administrative wages and benefits of \$13,229 or 7.6%. The Authority also had a \$4,938 decrease in travel and a \$6,426 decrease in office and other administrative expenses.

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)**  
December 31, 2017

**FINANCIAL ANALYSIS (CONTINUED)**

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

	FY 2017	FY 2016	Dollar Change	Percent Change
<b>Revenues</b>				
Operating - non-operating - capital contributions:				
Rental income	\$ 319,322	\$ 308,602	\$ 10,720	3.5%
HUD operating grants	1,082,155	1,105,066	(22,911)	-2.1%
Capital grants	56,358	79,516	(23,158)	-29.1%
Fraud recovery	-	572	(572)	-100.0%
Other revenue	1,628	621	1,007	162.2%
Interest income	491	495	(4)	-0.8%
Gain (loss) on sale of fixed assets	-	(2,415)	2,415	100.0%
Total Revenues	1,459,954	1,492,457	(32,503)	-2.2%
<b>Expenses</b>				
Administration	194,764	217,479	(22,715)	-10.4%
Tenant services	1,142	796	346	43.5%
Utilities	109,711	111,438	(1,727)	-1.5%
Ordinary maintenance & operation	156,212	131,522	24,690	18.8%
General expense	50,547	48,445	2,102	4.3%
Depreciation	119,010	115,021	3,989	3.5%
Housing assistance payments	912,418	895,623	16,795	1.9%
Total Expenses	1,543,804	1,520,324	23,480	1.5%
Excess (deficiency) before prior period adjustments	(83,850)	(27,867)	(55,983)	
Prior period adjustments	-	-	-	
Change in net position	(83,850)	(27,867)	(55,983)	
Beginning net position	1,447,080	1,474,947	(27,867)	
Ending net position	\$ 1,363,230	\$ 1,447,080	\$ (83,850)	

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) - (Continued)**  
December 31, 2017

**FINANCIAL ANALYSIS (CONTINUED)**

- Tenant services increased \$346 or 43.5% from FY 2016.
- Utilities were \$109,711 or 7.1% of total expenses for FY 2017 and decreased \$1,727 or 1.5% from 2016.
- Ordinary maintenance and operation totaled \$156,212 for FY 2017 or 10.1% of total expenses. Increase in maintenance expenses was mostly due to a \$15,807 in contracted maintenance services. The Authority also had a \$7,626 increase in maintenance materials and an increase in maintenance labor and benefits of \$1,257 or 1.7%.
- General expenses increased \$2,102 or 4.3% from FY 2016 mainly due to a \$901 increase in tenant bad debt expense and a \$531 increase in payments in lieu of taxes.
- The Authority had a \$3,989 or 3.5% increase in depreciation, which is the write-off of capital assets over their estimated useful life. Depreciation totaled \$119,010 for FY 2017 or 7.7% of total expenses.
- Housing assistance payments were \$912,418 or 59.1% of total expenses for FY 2017. Housing assistance payments increased \$16,795 or 1.9% due to a 4.3% increase in number of vouchers issued and outstanding during FY 2017. Increase in lease-up rate was partially offset by a decrease in average housing assistance payment per voucher issued of \$10.05 or 2.3%.

The Public Housing occupancy rate for fiscal year ended December 31, 2017 was 99.1%, down slightly from 99.2% in FY 2016.

The Authority is authorized to assist 203 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease-up rate for FY 2017 was 87.4%, up from 83.8% in FY 2016.

**CAPITAL ASSETS**

The Housing Authority of the City of Mt. Vernon, Indiana’s net investment in capital assets as of December 31, 2017 amounts to \$1,218,917 (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 \$58,798 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 \$119,010. 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	\$1,279,129	\$58,798	\$(119,010)	\$0	\$1,218,917

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)**  
December 31, 2017

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**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 2018 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 receives annual budget authority from HUD based on prior year leasing and HAP utilization. In addition to annual budget authority, the Authority also has \$6,864 in HAP Reserves available for housing assistance payments. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2018 and adjusted for pro-ration which is currently at 76%.

**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 Stallings, Executive Director, Housing Authority of the City of Mt. Vernon, 1500 Jefferson Street, Mt. Vernon, Indiana 47620.

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**STATEMENT OF NET POSITION**  
December 31, 2017

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**ASSETS**

Current Assets:

Cash and cash equivalents	\$	122,126
Cash - restricted		16,904
Investments		51,499
Receivables - net of allowances		6,969
Inventory - net of allowances		14,674
Prepaid expenses		<u>3,738</u>

Total Current Assets 215,910

Non-current Assets:

Capital assets:

Land and construction in progress		333,823
Other capital assets, net of depreciation		<u>885,094</u>

Total capital assets - net 1,218,917

Total Non-current Assets 1,218,917

Total Assets and Deferred Outflow of Resources \$ 1,434,827

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**STATEMENT OF NET POSITION - (Continued)**  
December 31, 2017

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**LIABILITIES**

Current Liabilities:

Accounts payable	\$	37,601
Accrued salaries and benefits		10,235
Tenant security deposit liability		10,040
Accrued compensated absences		13,210
Unearned revenues		<u>511</u>

Total Current Liabilities 71,597

Total Liabilities 71,597

**NET POSITION**

Net investment in capital assets	1,218,917
Restricted	6,864
Unrestricted	<u>137,449</u>

Total Net Position 1,363,230

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 1,434,827

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Year Ended December 31, 2017

<b>OPERATING REVENUES</b>	
Tenant revenue	\$ 319,322
Governmental grants and subsidy	1,082,155
Miscellaneous	<u>1,628</u>
Total operating revenue	<u>1,403,105</u>
<b>OPERATING EXPENSES</b>	
Administrative	194,764
Tenant services	1,142
Utilities	109,711
Ordinary maintenance and operations	156,212
Insurance	27,197
General	23,350
Housing assistance payment	912,418
Depreciation expense	<u>119,010</u>
Total operating expenses	<u>1,543,804</u>
Operating income (loss)	<u>(140,699)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	<u>491</u>
Net non-operating revenues (expenses)	<u>491</u>
Income (loss) before contributions and transfers	<u>(140,208)</u>
Capital contributions	<u>56,358</u>
Change in net position	(83,850)
Total net position - beginning of year	<u>1,447,080</u>
Total net position - end of year	<u>\$ <u>1,363,230</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2017

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from tenants	\$	318,658
Received from governmental grants and subsidy		1,101,547
Received from other operating activities		1,840
Payments for goods and services		(240,868)
Payments to employees		(323,320)
Payment in lieu of taxes		(9,577)
Payment for housing assistance		<u>(912,418)</u>

Net cash provided by (used in) operating activities (64,138)

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from capital contributions		49,669
Purchases of capital assets		<u>(52,109)</u>

Net cash provided by (used in) capital and related financing activities (2,440)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds (payments) from sale (purchase) of investments		(257)
Receipts of interest and dividends		<u>491</u>

Net cash provided by (used in) investing activities 234

Net increase (decrease) in cash and cash equivalents (66,344)  
Cash and cash equivalents at beginning of year 205,374

Cash and cash equivalents at end of year \$ 139,030

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**STATEMENT OF CASH FLOWS - (Continued)**  
For the Year Ended December 31, 2017

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<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ (140,699)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	119,010
Change in assets and liabilities:	
Receivables, net	26,866
Inventories, net	8,635
Prepaid expenses	2,378
Accounts and other payables	(1,312)
Tenant security deposit	200
Unearned revenues	(81,106)
Compensated absences	568
Accrued expenses	<u>1,322</u>
Net cash provided by (used) by operating activities	\$ <u><u>(64,138)</u></u>

See accompanying notes to the basic financial statements



HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2017

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**1B. Basis of Presentation - (Continued)**

The Authority operates the following programs in the enterprise fund:

**Low Rent** - The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

**Capital Fund Program** - The purpose of this program is to provide funds annually to housing authorities for the modernization of the housing development and for management improvements.

**Housing Choice Vouchers** - The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. HUD reimburses the Authority for the rental supplements paid to private landlords and the administrative costs of managing the program.

**1C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**1D. Budgets**

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

**1E. Estimates and assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2017

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**1F. Assets, Liabilities and Equity**

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur within individual funds that may result in amounts owed between funds. Inter-fund receivables and payables between funds are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of HUD, tenants account receivable and accrued interest receivable.

Inventories

Inventories are valued at lower of cost or market on an average cost basis. Inventories consist primarily of maintenance materials and supplies held for consumption. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as assets when purchased and expenses when used.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$1,000 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	10-40 years
Leasehold Improvements	15 years
Furniture, equipment and machinery - dwelling	10 years
Furniture, equipment and machinery - administrative	5-10 years

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2017

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**1F. Assets, Liabilities and Equity - (Continued)**

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted asset is related to the security deposit fund under the Low Rent program and restricted HAP fund under Housing Choice Voucher program.

Compensated Absences

The Authority's policies regarding vacation time permits employees to carry forward unused vacation leave not to exceed four weeks. All liability is recorded as current as the Authority expects to use all unused vacation time in the following year.

Equity Classifications

Equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted are available, the Authority's policy is to apply restricted assets to fund restricted costs and then unrestricted as they are needed.

**1G. Revenues, Expenditures, and Expenses**

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Change in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2017

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**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

**2A. Program Accounting Requirements**

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

<b><u>Program</u></b>	<b><u>Required By</u></b>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Housing Choice Voucher	U.S. Department of Housing and Urban Development

**2B. Deposits and Investments Laws and Regulations**

It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. As reflected in Note 3A, all deposits were fully insured or collateralized.

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

**2C. Revenue Restrictions**

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<b><u>Revenue Source</u></b>	<b><u>Legal Restrictions of Use</u></b>
Capital Fund Program	Modernization
Housing Choice Voucher	Housing assistance payment

For the year ended December 31, 2017, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2017

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**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**3A. Cash and Investments**

As of December 31, 2017, the Authority had the following cash deposits:

Cash deposits	\$ 138,930
Petty cash	100
Certificate of deposit	<u>51,499</u>
Total	<u><u>\$ 190,529</u></u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2017:

Cash and cash equivalents	\$ 122,126
Restricted assets	16,904
Investments	<u>51,499</u>
Total	<u><u>\$ 190,529</u></u>

**Deposits**

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At December 31, 2017, the Authority's bank balances of \$154,827 were entirely covered by FDIC insurance or by the Public Deposit Insurance Fund (PDIF) which was created in 1937 to protect the public funds of the state and its political subdivisions deposited in approved financial institutions in the state of Indiana. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by federal deposit insurance. The fund is administered by the Indiana Board for Depositories.

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2017, the Authority's investment balance of \$51,499 was entirely covered by FDIC or PDIF insurance.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority's investments consist entirely of certificate of deposits, credit risk is not applicable to the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2017

**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)**

**3A. Cash and Investments - (Continued)**

**Deposits – (Continued)**

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At December 31, 2017, the concentration of the Authority's investment (excluding cash deposits) was as follows:

<u>Type of Investment</u>	<u>Market Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ 26,835	5/15/2018
Certificate of Deposit	<u>24,664</u>	5/22/2018
Total	<u>\$ 51,499</u>	

**3B. Restricted Assets**

Restricted assets at December 31, 2017 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Security deposit	10,040	----	----	10,040
HAP	<u>6,864</u>	----	----	<u>6,864</u>
Total	<u>\$ 16,904</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 16,904</u>

**3C. Accounts Receivable**

Receivables at December 31, 2017 consist of the following:

HUD – Capital Fund	\$ 6,689
Tenants	250
Interest	<u>30</u>
Total	<u>\$ 6,969</u>

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2017

**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)**

**3D. Inventory**

Inventory at December 31, 2017 comprised of the following:

Inventory \$ 14,674

**3E. Capital Assets**

A summary of capital asset activity for the year ended December 31, 2017 is as follows:

	<b>Balance January 1, 2017</b>	<b>Additions</b>	<b>(Retirement)</b>	<b>Reclass/ Transfers in (out)</b>	<b>Balance December 31, 2017</b>
<b>Non-depreciable assets:</b>					
Land	\$ 322,428	\$ -	\$ -	\$ -	\$ 322,428
Construction in progress	<u>16,429</u>	-	-	(5,034)	<u>11,395</u>
<b>Total non-depreciable assets</b>	<u>338,857</u>	-	-	(5,034)	<u>333,823</u>
<b>Depreciable assets:</b>					
Building	4,186,449	58,798	-	5,034	4,250,281
Equipment - dwelling	3,220	-	-	-	3,220
Equipment - administration	148,270	-	-	-	148,270
Leasehold improvements	<u>52,906</u>	-	-	-	<u>52,906</u>
<b>Total depreciable assets</b>	4,390,845	58,798	-	5,034	4,454,677
<b>Accumulated depreciation</b>	<u>(3,450,573)</u>	<u>(119,010)</u>	-	-	<u>(3,569,583)</u>
<b>Total depreciable assets, net</b>	<u>940,272</u>	<u>(60,212)</u>	-	5,034	<u>885,094</u>
<b>Capital assets, net</b>	<u>\$ 1,279,129</u>	<u>\$ (60,212)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,218,917</u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Low Rent	\$ 117,456
CFP	1,495
HCV	<u>59</u>
<b>Total depreciation expense</b>	<u>\$ 119,010</u>

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2017

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**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)**

**3F. Accounts Payable**

Accounts payable at December 31, 2017 consist of the following:

Vendors & contractors	\$	12,761
Accrued utilities		14,732
PILOT		<u>10,108</u>
Total	\$	<u>37,601</u>

**NOTE 4 – OTHER NOTES**

**4A. Employee Pension Plan**

The Authority provides pension benefits for all of its full-time employees through a Simplified Employee Pension (SEP). A SEP is a written arrangement (a plan) that allows an employer to make deductible contributions for the benefit of participating employees. The contributions are made to individual retirement arrangements (IRAs) set up for participants in the Plan administered by Mutual of America.

The Housing Authority Board can decide from year to year if a SEP contribution and the amount that will be made to the SEP Plan. The Authority will match contributions made by employees up to 3% for employees meeting the eligibility requirements.

The following information relates to the plan at December 31, 2017:

Total payroll	\$	180,440
Total payroll for eligible participants	\$	157,019
Employer contributions made	\$	4,711

**4B. Contingencies**

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

**4C. Commitments - Construction**

At December 31, 2017, the Authority had the following pending Capital Fund project in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-17	\$ <u>71,095</u>	\$ <u>18,084</u>

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
December 31, 2017

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**NOTE 4 – OTHER NOTES - (Continued)**

**4D. Risk Management**

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

<b><u>Type of Loss</u></b>	<b><u>Method Managed</u></b>
a. Torts, errors and omissions	Purchased insurance with Indiana Farm Bureau Co.
b. Injuries to employees (workers' compensation)	Purchased insurance with Indiana Farm Bureau Co. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$10,000 deductible.
d. Health and Life	Health and life insurance is provided by Humana.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**4E. Financial Data Schedule**

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation and HAP expense and includes investment income and capital contributions in operating activities, which differs from the presentation of basic financial statements.

**4F. Subsequent Events**

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through July 3, 2018 and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

**4G. Economic Dependency**

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2018 federal budget.

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST**  
December 31, 2017

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1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-16</u>
Funds approved	\$ 71,078
Funds expended	<u>71,078</u>
Excess of Funds Approved	\$ <u><u>---</u></u>
Funds advanced	\$ 71,078
Funds expended	<u>71,078</u>
Excess (deficiency) of Funds Advanced	\$ <u><u>---</u></u>

2. The costs as shown on the Actual Cost Certificate dated February 20, 2018 submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2017.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended December 31, 2017

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Total Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Low Rent Program	14.850	\$ 86,224
Capital Fund Program	14.872	56,358
Housing Choice Vouchers	14.871	<u>995,931</u>
<b>Total Expenditures of Federal Awards</b>		<b>\$ <u><u>1,138,513</u></u></b>

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Housing Authority of the City of Mt. Vernon, Indiana (Authority) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**FINANCIAL DATA SCHEDULE**  
Year Ended December 31, 2017

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$94,926	\$27,200	\$122,126	\$122,126
113 Cash - Other Restricted		\$6,864	\$6,864	\$6,864
114 Cash - Tenant Security Deposits	\$10,040		\$10,040	\$10,040
100 Total Cash	\$104,966	\$34,064	\$139,030	\$139,030
122 Accounts Receivable - HUD Other Projects	\$6,689		\$6,689	\$6,689
126 Accounts Receivable - Tenants	\$250		\$250	\$250
129 Accrued Interest Receivable	\$30		\$30	\$30
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$6,969	\$0	\$6,969	\$6,969
131 Investments - Unrestricted	\$51,499		\$51,499	\$51,499
142 Prepaid Expenses and Other Assets	\$2,868	\$870	\$3,738	\$3,738
143 Inventories	\$14,674		\$14,674	\$14,674
150 Total Current Assets	\$180,976	\$34,934	\$215,910	\$215,910
161 Land	\$322,428		\$322,428	\$322,428
162 Buildings	\$4,250,281		\$4,250,281	\$4,250,281
163 Furniture, Equipment & Machinery - Dwellings	\$3,220		\$3,220	\$3,220
164 Furniture, Equipment & Machinery - Administration	\$145,875	\$2,395	\$148,270	\$148,270
165 Leasehold Improvements	\$52,906		\$52,906	\$52,906
166 Accumulated Depreciation	-\$3,567,193	-\$2,390	-\$3,569,583	-\$3,569,583
167 Construction in Progress	\$11,395		\$11,395	\$11,395
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,218,912	\$5	\$1,218,917	\$1,218,917
180 Total Non-Current Assets	\$1,218,912	\$5	\$1,218,917	\$1,218,917
290 Total Assets and Deferred Outflow of Resources	\$1,399,888	\$34,939	\$1,434,827	\$1,434,827
312 Accounts Payable <= 90 Days	\$10,380	\$2,381	\$12,761	\$12,761
321 Accrued Wage/Payroll Taxes Payable	\$9,223	\$1,012	\$10,235	\$10,235
322 Accrued Compensated Absences - Current Portion	\$11,585	\$1,625	\$13,210	\$13,210
333 Accounts Payable - Other Government	\$10,108		\$10,108	\$10,108
341 Tenant Security Deposits	\$10,040		\$10,040	\$10,040
342 Unearned Revenue	\$305	\$206	\$511	\$511
346 Accrued Liabilities - Other	\$14,732		\$14,732	\$14,732
310 Total Current Liabilities	\$66,373	\$5,224	\$71,597	\$71,597
300 Total Liabilities	\$66,373	\$5,224	\$71,597	\$71,597
508.4 Net Investment in Capital Assets	\$1,218,912	\$5	\$1,218,917	\$1,218,917
511.4 Restricted Net Position		\$6,864	\$6,864	\$6,864
512.4 Unrestricted Net Position	\$114,603	\$22,846	\$137,449	\$137,449
513 Total Equity - Net Assets / Position	\$1,333,515	\$29,715	\$1,363,230	\$1,363,230
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,399,888	\$34,939	\$1,434,827	\$1,434,827

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended December 31, 2017

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$311,691		\$311,691	\$311,691
70400 Tenant Revenue - Other	\$7,631		\$7,631	\$7,631
70500 Total Tenant Revenue	\$319,322	\$0	\$319,322	\$319,322
70600 HUD PHA Operating Grants	\$86,224	\$995,931	\$1,082,155	\$1,082,155
70610 Capital Grants	\$56,358		\$56,358	\$56,358
71100 Investment Income - Unrestricted	\$277	\$214	\$491	\$491
71500 Other Revenue	\$1,628		\$1,628	\$1,628
70000 Total Revenue	\$463,809	\$996,145	\$1,459,954	\$1,459,954
91100 Administrative Salaries	\$78,257	\$43,452	\$121,709	\$121,709
91200 Auditing Fees	\$3,583	\$1,792	\$5,375	\$5,375
91400 Advertising and Marketing	\$224	\$247	\$471	\$471
91500 Employee Benefit contributions - Administrative	\$23,031	\$15,174	\$38,205	\$38,205
91600 Office Expenses	\$9,170	\$8,830	\$18,000	\$18,000
91700 Legal Expense	\$1,257	\$225	\$1,482	\$1,482
91900 Other	\$4,456	\$5,066	\$9,522	\$9,522
91000 Total Operating - Administrative	\$119,978	\$74,786	\$194,764	\$194,764
92400 Tenant Services - Other	\$1,142		\$1,142	\$1,142
92500 Total Tenant Services	\$1,142	\$0	\$1,142	\$1,142
93100 Water	\$7,581		\$7,581	\$7,581
93200 Electricity	\$90,543		\$90,543	\$90,543
93600 Sewer	\$9,526		\$9,526	\$9,526
93800 Other Utilities Expense	\$2,061		\$2,061	\$2,061
93000 Total Utilities	\$109,711	\$0	\$109,711	\$109,711
94100 Ordinary Maintenance and Operations - Labor	\$58,327	\$404	\$58,731	\$58,731
94200 Ordinary Maintenance and Operations - Materials and Other	\$35,607	\$663	\$36,270	\$36,270
94300 Ordinary Maintenance and Operations Contracts	\$44,203	\$53	\$44,256	\$44,256
94500 Employee Benefit Contributions - Ordinary Maintenance	\$16,955		\$16,955	\$16,955
94000 Total Maintenance	\$155,092	\$1,120	\$156,212	\$156,212
96110 Property Insurance	\$19,383		\$19,383	\$19,383
96120 Liability Insurance	\$1,735	\$121	\$1,856	\$1,856
96130 Workmen's Compensation	\$2,967	\$1,354	\$4,321	\$4,321
96140 All Other Insurance	\$1,472	\$165	\$1,637	\$1,637
96100 Total insurance Premiums	\$25,557	\$1,640	\$27,197	\$27,197
96200 Other General Expenses		\$149	\$149	\$149
96210 Compensated Absences	\$10,287	\$1,905	\$12,192	\$12,192
96300 Payments in Lieu of Taxes	\$10,108		\$10,108	\$10,108
96400 Bad debt - Tenant Rents	\$901		\$901	\$901
96000 Total Other General Expenses	\$21,296	\$2,054	\$23,350	\$23,350
96900 Total Operating Expenses	\$432,776	\$79,600	\$512,376	\$512,376
97000 Excess of Operating Revenue over Operating Expenses	\$31,033	\$916,545	\$947,578	\$947,578

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended December 31, 2017

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
97300 Housing Assistance Payments		\$912,418	\$912,418	\$912,418
97400 Depreciation Expense	\$118,951	\$59	\$119,010	\$119,010
90000 Total Expenses	\$551,727	\$992,077	\$1,543,804	\$1,543,804
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$87,918	\$4,068	-\$83,850	-\$83,850
11030 Beginning Equity	\$1,421,433	\$25,647	\$1,447,080	\$1,447,080
11170 Administrative Fee Equity		\$22,851	\$22,851	\$22,851
11180 Housing Assistance Payments Equity		\$6,864	\$6,864	\$6,864
11190 Unit Months Available	996	2144	3140	3140
11210 Number of Unit Months Leased	987	2128	3115	3115
11270 Excess Cash	\$60,997		\$60,997	\$60,997
11620 Building Purchases	\$58,798		\$58,798	\$58,798

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
Housing Authority of the City 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 business-type activities of the Housing Authority of the City of Mt. Vernon (Authority), Indiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated July 3, 2018.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Authority’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority’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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority’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 instance of noncompliance or other matters that is 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Audit Solutions, LLC*

Chesterfield, Missouri

July 3, 2018

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

I have audited the Housing Authority of the City of Mt. Vernon (Authority), Indiana’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 Authority’s major federal programs for the year ended December 31, 2017. The Authority’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 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 Authority’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 direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority’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 federal program. However, my audit does not provide a legal determination of the Authority’s compliance.

***Opinion on Each Major Federal Program***

In my opinion, the Housing Authority of the City of Mt. Vernon, Indiana, 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, 2017.

**Report on Internal Control Over Compliance**

Management 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 Authority’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 Authority’s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 requirement 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 a 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 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. 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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Audit Solutions, LLC*

Chesterfield, Missouri

July 3, 2018

HOUSING AUTHORITY OF THE CITY OF MT. VERNON  
Mt. Vernon, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2017

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

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

➤ Material weakness(es) identified? No

➤ Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

➤ Material weakness(es) identified? No

➤ Significant deficiency(ies) identified? No

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 2 CFR 200.516 (a)? No

Identification of major programs:

➤ CFDA #14.871 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee? Yes