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July 31, 2019

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

We have reviewed the audit report of the Housing Authority of the City of Mt. Vernon, which was opined upon by Audit Solutions LLC, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Mt. Vernon as of December 31, 2018, 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, 2018**

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

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## 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, 2018, 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 Authority, as of December 31, 2018, 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 Authority's basic financial statements. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is 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 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 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 June 7, 2019, on my consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

## ***Audit Solutions, LLC***

Chesterfield, Missouri

June 7, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
December 31, 2018

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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, 2018. 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, 2018 was \$1,296,441. The net position decreased by \$66,789 a decrease of 4.9% from the prior year.
- Revenues for the Authority were \$1,439,705 for the year ended December 31, 2018. This was a decrease of \$20,249 or 1.4% from the prior year.
- Expenses for the Authority were \$1,506,494 for the year ended December 31, 2018. This was a decrease of \$37,310 or 2.4% from the prior year.
- Rental revenue for the Authority was \$324,478 or 22.5% of total revenues for the year ended December 31, 2018. This was an increase of \$5,156 or 1.6% over the prior year. HUD operating grants for the Authority was \$1,066,240 or 74.1% of total revenues for the year ended December 31, 2018. This was a decrease of \$15,915 or 1.5% from the prior year. HUD capital grants for the Authority was \$47,699 or 3.3% of total revenues for the year ended December 31, 2018, a decrease of \$8,659 or 15.4% 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, 2018

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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, 2018 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 \$1,296,441 at the close of the year ended December 31, 2018 down from \$1,363,230 in fiscal year 2017. The decrease in net position of \$66,789 was due to the reasons noted below.

- Current assets were \$201,188 or 14.9% of total assets for FY 2018 and include cash, investments, receivables, and prepaid expenses. Of the \$14,722 decrease in this category, cash and investments decreased \$4,769, receivables decreased \$5,457, prepaid expenses decreased \$737, and materials inventory decreased \$3,759.
- Capital assets were \$1,152,895 or 85.1% of total assets for FY 2018 and decreased \$66,022 from FY 2017. 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.
- Current liabilities decreased \$19,974 or 27.9% from FY 2017 mostly due to decreases in accounts payable of \$11,784, accrued wages payroll taxes payable of \$4,064 and current portion of accrued compensated absences of \$7,191. This was partially offset by an increase in unearned revenues of \$3,398.
- Noncurrent liabilities increased \$6,019 due to an increase in noncurrent portion of accrued compensated absences.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)**  
December 31, 2018

**FINANCIAL ANALYSIS - (CONTINUED)**

The unrestricted net position was \$133,270 as of December 31, 2018. 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 \$10,276 as of December 31, 2018. 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 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 201,188	\$ 215,910	\$ (14,722)	-6.8%
Capital assets	<u>1,152,895</u>	<u>1,218,917</u>	<u>(66,022)</u>	-5.4%
Total Assets	<u>1,354,083</u>	<u>1,434,827</u>	<u>(80,744)</u>	-5.6%
Deferred Outflows	<u>-</u>	<u>-</u>	<u>-</u>	0.0%
<b>TOTAL</b>	<b><u>\$ 1,354,083</u></b>	<b><u>\$ 1,434,827</u></b>	<b><u>\$ (80,744)</u></b>	-5.6%
Current liabilities	\$ 51,623	\$ 71,597	\$ (19,974)	-27.9%
Noncurrent liabilities	<u>6,019</u>	<u>-</u>	<u>6,019</u>	100.0%
Total Liabilities	<u>57,642</u>	<u>71,597</u>	<u>(13,955)</u>	-19.5%
Deferred Inflows	<u>-</u>	<u>-</u>	<u>-</u>	0.0%
<b>Net Position</b>				
Net investment in capital assets	1,152,895	1,218,917	(66,022)	-5.4%
Restricted	10,276	6,864	3,412	49.7%
Unrestricted	<u>133,270</u>	<u>137,449</u>	<u>(4,179)</u>	-3.0%
Total Net Position	<u>1,296,441</u>	<u>1,363,230</u>	<u>\$ (66,789)</u>	-4.9%
<b>TOTAL</b>	<b><u>\$ 1,354,083</u></b>	<b><u>\$ 1,434,827</u></b>	<b><u>\$ (80,744)</u></b>	-5.6%

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)  
December 31, 2018

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**FINANCIAL ANALYSIS (CONTINUED)**

As can be seen in the table on the following page, total revenues decreased \$20,249 due to the reasons noted on the next page.

- Rental revenue increased \$5,156 or 1.6% from FY 2017 primarily due to an increase in average dwelling rental charge per unit of \$5.17 or 1.6%.
- Of the \$15,915 decrease in HUD operating grants, operating subsidy received from HUD increased \$11,040 and housing choice voucher program assistance received from HUD decreased \$26,955.
- Capital grant revenue decreased \$8,659 from FY 2017. 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.
- Other revenue decreased \$999 or 61.4% from FY 2017.
- Interest income increased \$168 or 34.2% from FY 2017.

Total expenses decreased \$37,310 due to the reasons noted below.

- Administration was \$201,097 or 13.3% of total expenses for FY 2018 and increased \$6,333 or 3.3% from FY 2017. Increase in administration was primarily due to an increase in administrative wages and benefits of \$9,627.
- Tenant services decreased \$405 or 35.5% from FY 2017.
- Utilities were \$117,496 or 7.8% of total expenses for FY 2018 and increased \$7,785 or 7.1% from 2017. Increase in utilities was due to an increase in electricity of \$5,860 or 6.5% and an increase in water and sewer of \$2,394 or 14.0%.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)**  
December 31, 2018

**FINANCIAL ANALYSIS (CONTINUED)**

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

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenues</b>				
Operating - non-operating - capital contributions:				
Rental income	\$ 324,478	\$ 319,322	\$ 5,156	1.6%
HUD operating grants	1,066,240	1,082,155	(15,915)	-1.5%
Capital grants	47,699	56,358	(8,659)	-15.4%
Other revenue	629	1,628	(999)	-61.4%
Interest income	659	491	168	34.2%
Total Revenues	<u>1,439,705</u>	<u>1,459,954</u>	<u>(20,249)</u>	-1.4%
<b>Expenses</b>				
Administration	201,097	194,764	6,333	3.3%
Tenant services	737	1,142	(405)	-35.5%
Utilities	117,496	109,711	7,785	7.1%
Ordinary maintenance & operation	145,376	156,212	(10,836)	-6.9%
Insurance	27,103	27,197	(94)	-0.3%
General expense	24,204	23,350	854	3.7%
Depreciation	113,721	119,010	(5,289)	-4.4%
Housing assistance payments	876,760	912,418	(35,658)	-3.9%
Total Expenses	<u>1,506,494</u>	<u>1,543,804</u>	<u>(37,310)</u>	-2.4%
Excess (deficiency) before prior period adjustments	(66,789)	(83,850)	17,061	
Prior period adjustments	<u>-</u>	<u>-</u>	<u>-</u>	
Change in net position	(66,789)	(83,850)	17,061	
Beginning net position	<u>1,363,230</u>	<u>1,447,080</u>	<u>(83,850)</u>	
Ending net position	<u>\$ 1,296,441</u>	<u>\$ 1,363,230</u>	<u>\$ (66,789)</u>	

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)  
December 31, 2018

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**FINANCIAL ANALYSIS (CONTINUED)**

- Ordinary maintenance and operation totaled \$145,376 for FY 2018 or 9.6% of total expenses. Decrease in maintenance expenses of \$10,836 was primarily due to a decrease in maintenance materials of \$13,400 or 36.9%. This was partially offset by an increase in contracted maintenance services of \$2,292 or 5.2%.
- Insurance expense was \$27,103 for FY 2018 and decreased \$94 or 0.3% from FY 2017.
- General expenses were \$24,204 for FY 2018 and increased \$854 or 3.7% from FY 2017.
- The Authority had a \$5,289 or 4.4% decrease in depreciation, which is the write-off of capital assets over their estimated useful life. Depreciation totaled \$113,721 for FY 2018 or 7.5% of total expenses.
- Housing assistance payments were \$876,760 or 58.2% of total expenses for FY 2018. Housing assistance payments decreased \$35,658 or 3.9% due to a 6.3% decrease in number of vouchers issued and outstanding during FY 2018. Decrease in lease-up rate was partially offset by an increase in average housing assistance payment per voucher issued of \$11.15 or 2.6%.

The Public Housing occupancy rate for fiscal year ended December 31, 2018 was 99.1%, same as FY 2017.

The Authority is authorized to assist 203 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease-up rate for FY 2018 was 81.8%, down from 87.4% in FY 2017.

**CAPITAL ASSETS**

The Authority's net investment in capital assets as of December 31, 2018 amounts to \$1,152,895 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

*Capital Assets* – The total decrease in the Authority's capital assets for the current fiscal year was 5.4% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues were \$47,699 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 \$113,721. 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	\$1,218,917	\$47,699	(\$113,721)	\$0	\$1,152,895

Additional information on capital assets of the Authority is presented in the notes to the basic financial statements accompanying the audit report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)  
December 31, 2018

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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 2019 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 \$47,987 in HUD-Held Reserves and \$10,276 in HAP Reserves available for housing assistance payments. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2019 and adjusted for pro-ration which is currently at 80.615%.

**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, 2018

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**ASSETS**

Current Assets:

Cash and cash equivalents	\$	113,575
Cash - restricted		20,116
Investments		52,069
Receivables - net of allowances		1,512
Inventory - net of allowances		10,915
Prepaid expenses		<u>3,001</u>

Total Current Assets 201,188

Non-current Assets:

Capital assets:

Land and construction in progress		333,823
Other capital assets, net of depreciation		<u>819,072</u>

Total capital assets - net 1,152,895

Total Non-current Assets 1,152,895

**DEFERRED OUTFLOWS OF RESOURCES**

Total Assets and Deferred Outflow of Resources \$ 1,354,083

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, 2018

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**LIABILITIES**

Current Liabilities:

Accounts payable	\$	25,684
Accrued salaries and benefits		6,171
Tenant security deposit liability		9,840
Accrued compensated absences		6,019
Unearned revenues		<u>3,909</u>

Total Current Liabilities 51,623

Non-current Liabilities:

Compensated absences		<u>6,019</u>
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Total Non-current Liabilities 6,019

Total Liabilities 57,642

**DEFERRED INFLOWS OF RESOURCES**

-

**NET POSITION**

Net investment in capital assets		1,152,895
Restricted		10,276
Unrestricted		<u>133,270</u>

Total Net Position 1,296,441

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 1,354,083

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, 2018

<b>OPERATING REVENUES</b>	
Tenant revenue	\$ 324,478
Governmental grants and subsidy	1,066,240
Miscellaneous	<u>629</u>
Total operating revenue	<u>1,391,347</u>
<b>OPERATING EXPENSES</b>	
Administrative	201,097
Tenant services	737
Utilities	117,496
Ordinary maintenance and operations	145,376
Insurance	27,103
General	24,204
Housing assistance payment	876,760
Depreciation expense	<u>113,721</u>
Total operating expenses	<u>1,506,494</u>
Operating income (loss)	<u>(115,147)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	<u>659</u>
Net non-operating revenues (expenses)	<u>659</u>
Income (loss) before contributions and transfers	<u>(114,488)</u>
Capital contributions	<u>47,699</u>
Change in net position	(66,789)
Total net position - beginning of year	<u>1,363,230</u>
Total net position - end of year	<u>\$ 1,296,441</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, 2018

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from tenants	\$	327,122
Received from governmental grants and subsidy		1,065,449
Received from other operating activities		629
Payments for goods and services		(247,207)
Payments to employees		(264,480)
Payment in lieu of taxes		(10,108)
Payment for housing assistance		<u>(876,760)</u>

Net cash provided by (used in) operating activities (5,355)

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

Proceeds from capital contributions		54,388
Purchases of capital assets		<u>(54,388)</u>

Net cash provided by (used in) capital and related financing activities -

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds (payments) from sale (purchase) of investments		(570)
Receipts of interest and dividends		<u>586</u>

Net cash provided by (used in) investing activities 16

Net increase (decrease) in cash and cash equivalents (5,339)  
Cash and cash equivalents at beginning of year 139,030

Cash and cash equivalents at end of year \$ 133,691

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, 2018

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**Reconciliation of operating income (loss) to net cash provided (used) by operating activities**

Operating income (loss)	\$	(115,147)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		113,721
Change in assets and liabilities:		
Receivables, net		(1,159)
Inventories, net		3,759
Prepaid expenses		737
Accounts and other payables		(1,405)
Tenant security deposit		(200)
Unearned revenues		3,398
Compensated absences		(1,172)
Accrued expenses		<u>(7,887)</u>
Net cash provided by (used) by operating activities	\$	<u><u>(5,355)</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, 2018

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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, 2018

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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, 2018

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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. The liability for these compensated absences is recorded as long-term and short-term liabilities based on historical trends. Amounts not expected to be paid within the next fiscal year are classified as long-term liabilities.

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, 2018

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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, 2018, 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, 2018

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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, 2018, the Authority had the following cash deposits:

Cash deposits	\$ 133,591
Petty cash	100
Certificate of deposit	<u>52,069</u>
Total	<u><u>\$ 185,760</u></u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2018:

Cash and cash equivalents	\$ 113,575
Restricted assets	20,116
Investments	<u>52,069</u>
Total	<u><u>\$ 185,760</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, 2018, the Authority's bank balances of \$136,318 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, 2018, the Authority's investment balance of \$52,069 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, 2018

**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, 2018, 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	\$ 26,963	5/15/2020
Certificate of Deposit	<u>25,106</u>	5/22/2020
Total	<u>\$ 52,069</u>	

**3B. Restricted Assets**

Restricted assets at December 31, 2018 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	10,276	----	----	10,276
HAP	<u>9,840</u>	----	----	<u>9,840</u>
Total	<u>\$ 20,116</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 20,116</u>

**3C. Accounts Receivable**

Receivables at December 31, 2018 consist of the following:

Tenant account receivable	\$ 910
Allowance for doubtful account	<u>(86)</u>
Tenants - net of allowance	824
HUD	585
Accrued interest	<u>103</u>
Total Accounts Receivable	<u>\$ 1,512</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2018

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

**3D. Inventory**

Inventory at December 31, 2018 comprised of the following:

Inventory	\$ 12,128
Less: Allowance for obsolete inventory	<u>(1,213)</u>
Inventory - net of allowance	<u>\$ 10,915</u>

**3E. Capital Assets**

A summary of capital asset activity for the year ended December 31, 2018 is as follows:

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>(Retirement)</u>	<u>Reclass/ Transfers in (out)</u>	<u>Balance December 31, 2018</u>
<b>Non-depreciable assets:</b>					
Land	\$ 322,428	\$ -	\$ -	\$ -	\$ 322,428
Construction in progress	<u>11,395</u>	<u>18,696</u>	<u>-</u>	<u>(18,696)</u>	<u>11,395</u>
<b>Total non-depreciable assets</b>	<u>333,823</u>	<u>18,696</u>	<u>-</u>	<u>(18,696)</u>	<u>333,823</u>
<b>Depreciable assets:</b>					
Building	4,250,281	25,993	-	18,696	4,294,970
Equipment - dwelling	3,220	-	-	-	3,220
Equipment - administration	148,270	3,010	(4,319)	-	146,961
Leasehold improvements	<u>52,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,906</u>
<b>Total depreciable assets</b>	<u>4,454,677</u>	<u>29,003</u>	<u>(4,319)</u>	<u>18,696</u>	<u>4,498,057</u>
<b>Accumulated depreciation</b>	<u>(3,569,583)</u>	<u>(113,721)</u>	<u>4,319</u>	<u>-</u>	<u>(3,678,985)</u>
<b>Total depreciable assets, net</b>	<u>885,094</u>	<u>(84,718)</u>	<u>-</u>	<u>18,696</u>	<u>819,072</u>
<b>Capital assets, net</b>	<u>\$ 1,218,917</u>	<u>\$ (66,022)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,152,895</u>

Depreciation expense is charged to programs as follows:

<u>Business-type Activities</u>	
Low Rent	\$ 112,537
CFP	1,179
HCV	<u>5</u>
<b>Total depreciation expense</b>	<u>\$ 113,721</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2018

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

**3F. Accounts Payable**

Accounts payable at December 31, 2018 consist of the following:

Vendors & contractors	\$	4,800
Accrued utilities		10,909
PILOT		<u>9,975</u>
Total	\$	<u>25,684</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 employer contributions for the years ended December 31, 2018, 2017 and 2016 were \$4,607, \$4,711 and \$7,665 respectively.

**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, 2018, 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>65,783</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2018

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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 June 7, 2019 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 2019 federal budget.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended December 31, 2018

<b>Federal Grantor</b>	<b>Federal CFDA #</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Public and Indian Housing	14.850	\$ 97,264
Public Housing Capital Fund	14.872	47,699
Voucher Cluster: Section 8 Housing Choice Vouchers	14.871	<u>968,976</u>
<b>Total Expenditures of Federal Awards</b>		<b>\$ <u><u>1,113,939</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, 2018. 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, 2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$88,284	\$25,291	\$113,575	\$113,575
113 Cash - Other Restricted		\$10,276	\$10,276	\$10,276
114 Cash - Tenant Security Deposits	\$9,840		\$9,840	\$9,840
100 Total Cash	\$98,124	\$35,567	\$133,691	\$133,691
122 Accounts Receivable - HUD Other Projects		\$585	\$585	\$585
126 Accounts Receivable - Tenants	\$910		\$910	\$910
126.1 Allowance for Doubtful Accounts -Tenants	-\$86		-\$86	-\$86
129 Accrued Interest Receivable	\$103		\$103	\$103
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$927	\$585	\$1,512	\$1,512
131 Investments - Unrestricted	\$52,069		\$52,069	\$52,069
142 Prepaid Expenses and Other Assets	\$2,019	\$982	\$3,001	\$3,001
143 Inventories	\$12,128		\$12,128	\$12,128
143.1 Allowance for Obsolete Inventories	-\$1,213		-\$1,213	-\$1,213
150 Total Current Assets	\$164,054	\$37,134	\$201,188	\$201,188
161 Land	\$322,428		\$322,428	\$322,428
162 Buildings	\$4,294,970		\$4,294,970	\$4,294,970
163 Furniture, Equipment & Machinery - Dwellings	\$3,220		\$3,220	\$3,220
164 Furniture, Equipment & Machinery - Administration	\$144,566	\$2,395	\$146,961	\$146,961
165 Leasehold Improvements	\$52,906		\$52,906	\$52,906
166 Accumulated Depreciation	-\$3,676,590	-\$2,395	-\$3,678,985	-\$3,678,985
167 Construction in Progress	\$11,395		\$11,395	\$11,395
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,152,895	\$0	\$1,152,895	\$1,152,895
180 Total Non-Current Assets	\$1,152,895	\$0	\$1,152,895	\$1,152,895
200 Deferred Outflow of Resources				
290 Total Assets and Deferred Outflow of Resources	\$1,316,949	\$37,134	\$1,354,083	\$1,354,083
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$3,419	\$1,381	\$4,800	\$4,800
321 Accrued Wage/Payroll Taxes Payable	\$5,032	\$1,139	\$6,171	\$6,171
322 Accrued Compensated Absences - Current Portion	\$5,454	\$565	\$6,019	\$6,019
333 Accounts Payable - Other Government	\$9,975		\$9,975	\$9,975
341 Tenant Security Deposits	\$9,840		\$9,840	\$9,840
342 Unearned Revenue	\$3,909		\$3,909	\$3,909
346 Accrued Liabilities - Other	\$10,909		\$10,909	\$10,909
310 Total Current Liabilities	\$48,538	\$3,085	\$51,623	\$51,623
354 Accrued Compensated Absences - Non Current	\$5,454	\$565	\$6,019	\$6,019
350 Total Non-Current Liabilities	\$5,454	\$565	\$6,019	\$6,019
300 Total Liabilities	\$53,992	\$3,650	\$57,642	\$57,642

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

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended December 31, 2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
400 Deferred Inflow of Resources				
508.4 Net Investment in Capital Assets	\$1,152,895		\$1,152,895	\$1,152,895
511.4 Restricted Net Position		\$10,276	\$10,276	\$10,276
512.4 Unrestricted Net Position	\$110,062	\$23,208	\$133,270	\$133,270
513 Total Equity - Net Assets / Position	\$1,262,957	\$33,484	\$1,296,441	\$1,296,441
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,316,949	\$37,134	\$1,354,083	\$1,354,083

70300 Net Tenant Rental Revenue	\$316,793		\$316,793	\$316,793
70400 Tenant Revenue - Other	\$7,685		\$7,685	\$7,685
70500 Total Tenant Revenue	\$324,478	\$0	\$324,478	\$324,478
70600 HUD PHA Operating Grants	\$97,264	\$968,976	\$1,066,240	\$1,066,240
70610 Capital Grants	\$47,699		\$47,699	\$47,699
71100 Investment Income - Unrestricted	\$659	\$321	\$980	\$980
71500 Other Revenue	\$308		\$308	\$308
70000 Total Revenue	\$470,408	\$969,297	\$1,439,705	\$1,439,705
91100 Administrative Salaries	\$79,055	\$46,326	\$125,381	\$125,381
91200 Auditing Fees	\$3,205	\$3,130	\$6,335	\$6,335
91400 Advertising and Marketing	\$58	\$40	\$98	\$98
91500 Employee Benefit contributions - Administrative	\$23,083	\$21,077	\$44,160	\$44,160
91600 Office Expenses	\$6,810	\$8,122	\$14,932	\$14,932
91900 Other	\$6,325	\$3,866	\$10,191	\$10,191
91000 Total Operating - Administrative	\$118,536	\$82,561	\$201,097	\$201,097
92400 Tenant Services - Other	\$737		\$737	\$737
92500 Total Tenant Services	\$737	\$0	\$737	\$737
93100 Water	\$8,986		\$8,986	\$8,986
93200 Electricity	\$96,403		\$96,403	\$96,403
93600 Sewer	\$10,515		\$10,515	\$10,515
93800 Other Utilities Expense	\$1,592		\$1,592	\$1,592
93000 Total Utilities	\$117,496	\$0	\$117,496	\$117,496
94100 Ordinary Maintenance and Operations - Labor	\$58,819		\$58,819	\$58,819
94200 Ordinary Maintenance and Operations - Materials and Other	\$22,251	\$619	\$22,870	\$22,870
94300 Ordinary Maintenance and Operations Contracts	\$46,444	\$104	\$46,548	\$46,548
94500 Employee Benefit Contributions - Ordinary Maintenance	\$17,139		\$17,139	\$17,139
94000 Total Maintenance	\$144,653	\$723	\$145,376	\$145,376
96110 Property Insurance	\$19,280		\$19,280	\$19,280
96120 Liability Insurance	\$1,260		\$1,260	\$1,260
96130 Workmen's Compensation	\$2,846	\$1,423	\$4,269	\$4,269
96140 All Other Insurance	\$1,026	\$1,268	\$2,294	\$2,294
96100 Total insurance Premiums	\$24,412	\$2,691	\$27,103	\$27,103

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

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended December 31, 2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
96200 Other General Expenses		\$298	\$298	\$298
96210 Compensated Absences	\$11,255	\$2,490	\$13,745	\$13,745
96300 Payments in Lieu of Taxes	\$9,975		\$9,975	\$9,975
96400 Bad debt - Tenant Rents	\$186		\$186	\$186
96000 Total Other General Expenses	\$21,416	\$2,788	\$24,204	\$24,204
96900 Total Operating Expenses	\$427,250	\$88,763	\$516,013	\$516,013
97000 Excess of Operating Revenue over Operating Expenses	\$43,158	\$880,534	\$923,692	\$923,692
97300 Housing Assistance Payments		\$876,760	\$876,760	\$876,760
97400 Depreciation Expense	\$113,716	\$5	\$113,721	\$113,721
90000 Total Expenses	\$540,966	\$965,528	\$1,506,494	\$1,506,494
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$70,558	\$3,769	-\$66,789	-\$66,789
11030 Beginning Equity	\$1,333,515	\$29,715	\$1,363,230	\$1,363,230
11170 Administrative Fee Equity		\$23,208	\$23,208	\$23,208
11180 Housing Assistance Payments Equity		\$10,276	\$10,276	\$10,276
11190 Unit Months Available	996	2125	3121	3121
11210 Number of Unit Months Leased	987	1993	2980	2980
11270 Excess Cash	\$66,978		\$66,978	\$66,978
11620 Building Purchases	\$44,689		\$44,689	\$44,689
11640 Furniture & Equipment - Administrative Purchases	\$3,010		\$3,010	\$3,010

**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, 2018, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated June 7, 2019.

**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

June 7, 2019

**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, 2018. 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 Authority, 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, 2018.

**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

June 7, 2019

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
December 31, 2018

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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 Section 8 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee? Yes