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July 2, 2020

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, 2019 to December 31, 2019. 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, 2019, 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, 2019

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, 2019, 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, 2019, 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 opinions on the financial statements that collectively comprise the Authority'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 June 17, 2020, 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 17, 2020

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2019

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, 2019. 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, 2019 was \$1,396,269. The net position increased by \$99,828 an increase of 7.7% over the prior year.
- Revenues for the Authority were \$1,660,267 for the year ended December 31, 2019. This was an increase of \$220,562 or 15.3% over the prior year.
- Expenses for the Authority were \$1,560,439 for the year ended December 31, 2019. This was an increase of \$53,945 or 3.6% over the prior year.
- Rental revenue for the Authority was \$335,121 or 20.2% of total revenues for the year ended December 31, 2019. This was an increase of \$10,643 or 3.3% over the prior year. HUD operating grants for the Authority was \$1,314,695 or 79.2% of total revenues for the year ended December 31, 2019. This was an increase of \$248,455 or 23.3% over the prior year. HUD capital grants for the Authority was \$5,312 or 0.3% of total revenues for the year ended December 31, 2019, a decrease of \$42,387 or 88.9% 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, 2019

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, 2019 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 \$1,396,269 at the close of the year ended December 31, 2019 up from \$1,296,441 in fiscal year 2018. The increase in net position of \$99,828 was due to the reasons noted below.

- Current assets were \$388,402 or 26.5% of total assets for FY 2019 and include cash, investments, receivables, and prepaid expenses. Of the \$187,214 increase in this category, cash and investments increased \$54,205, receivables increased \$132,187, prepaid expenses increased \$602, and materials inventory increased \$220.
- Capital assets were \$1,077,434 or 73.5% of total assets for FY 2019 and decreased \$75,461 from FY 2018. 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 increased \$12,015 or 23.3% from FY 2018 mostly due to an increase in accounts payable of \$9,361 and an increase in accrued wages payroll taxes payable of \$4,167. This was partially offset by a decrease in unearned revenues of \$1,481.
- Noncurrent liabilities decreased \$90 due to a decrease 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, 2019

FINANCIAL ANALYSIS - (CONTINUED)

The unrestricted net position was \$306,729 as of December 31, 2019. 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 seven months. The restricted net position resulting from excess Housing Choice Voucher HAP funding was \$12,106 as of December 31, 2019. 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 2019</u>	<u>FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 388,402	\$ 201,188	\$ 187,214	93.1%
Capital assets	<u>1,077,434</u>	<u>1,152,895</u>	<u>(75,461)</u>	-6.5%
Total Assets	<u>1,465,836</u>	<u>1,354,083</u>	<u>111,753</u>	8.3%
 Deferred Outflows	 <u>-</u>	 <u>-</u>	 <u>-</u>	 0.0%
TOTAL	\$ <u>1,465,836</u>	\$ <u>1,354,083</u>	\$ <u>111,753</u>	8.3%
 Current liabilities	 \$ 63,638	 \$ 51,623	 \$ 12,015	 23.3%
Noncurrent liabilities	<u>5,929</u>	<u>6,019</u>	<u>(90)</u>	-1.5%
Total Liabilities	<u>69,567</u>	<u>57,642</u>	<u>11,925</u>	20.7%
 Deferred Inflows	 <u>-</u>	 <u>-</u>	 <u>-</u>	 0.0%
 Net Position				
Net investment in capital assets	1,077,434	1,152,895	(75,461)	-6.5%
Restricted	12,106	10,276	1,830	17.8%
Unrestricted	<u>306,729</u>	<u>133,270</u>	<u>173,459</u>	130.2%
Total Net Position	<u>1,396,269</u>	<u>1,296,441</u>	<u>\$ 99,828</u>	7.7%
TOTAL	\$ <u>1,465,836</u>	\$ <u>1,354,083</u>	\$ <u>111,753</u>	8.3%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2019

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 increased \$220,562 due to the reasons noted below.

- Rental revenue increased \$10,643 or 3.3% from FY 2018 primarily due to an increase in average dwelling rental charge per unit of \$14.95 or 4.7%. This was partially offset by a 1.0% decrease in Public Housing occupancy.
- Of the \$248,455 increase in HUD operating grants, operating subsidy received from HUD increased \$2,195, Housing Choice Voucher program assistance received from HUD increased \$33,345, and capital funds utilized for operating expenditures increased \$212,915.
- Capital grant revenue decreased \$42,387 from FY 2018. 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 increased \$4,246 from FY 2018.
- Interest income decreased \$395 from FY 2018.

Total expenses increased \$53,945 due to the reasons noted below.

- Administration was \$196,931 or 12.6% of total expenses for FY 2019 and decreased \$4,166 or 2.1% from FY 2018. Decrease in administration was primarily due to a decrease in benefits of \$8,462 or 19.2%. This was partially offset by an increase in administrative wages, legal and office expense.
- Tenant services decreased \$277 or 37.6% from FY 2018.
- Utilities were \$113,790 or 7.3% of total expenses for FY 2019 and decreased \$3,706 or 3.2% from 2018. Decrease in utilities was mainly due to a decrease in electricity of \$2,462 or 2.6% and a decrease in water of \$1,375 or 15.3%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2019

FINANCIAL ANALYSIS - (CONTINUED)

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

	FY 2019	FY 2018	Dollar Change	Percent Change
Revenues				
Operating - non-operating - capital contributions:				
Rental income	\$ 335,121	\$ 324,478	\$ 10,643	3.3%
HUD operating grants	1,314,695	1,066,240	248,455	23.3%
Capital grants	5,312	47,699	(42,387)	-88.9%
Other revenue	4,875	629	4,246	675.0%
Interest income	264	659	(395)	-59.9%
Total Revenues	1,660,267	1,439,705	220,562	15.3%
Expenses				
Administration	196,931	201,097	(4,166)	-2.1%
Tenant services	460	737	(277)	-37.6%
Utilities	113,790	117,496	(3,706)	-3.2%
Ordinary maintenance & operation	167,443	145,376	22,067	15.2%
Insurance	26,167	27,103	(936)	-3.5%
General expense	28,255	24,204	4,051	16.7%
Non routine maintenance	937	-	937	100.0%
Depreciation	118,764	113,721	5,043	4.4%
Housing assistance payments	907,692	876,760	30,932	3.5%
Total Expenses	1,560,439	1,506,494	53,945	3.6%
Excess (deficiency) before prior period adjustments	99,828	(66,789)	166,617	
Prior period adjustments	-	-	-	
Change in net position	99,828	(66,789)	166,617	
Beginning net position	1,296,441	1,363,230	(66,789)	
Ending net position	\$ 1,396,269	\$ 1,296,441	\$ 99,828	

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2019

FINANCIAL ANALYSIS - (CONTINUED)

- Ordinary maintenance and operation totaled \$167,443 for FY 2019 or 10.7% of total expenses. Increase in maintenance expenses of \$22,067 was due to an increase in contracted maintenance services of \$13,112 or 28.2%, maintenance materials of \$6,910 or 30.2%, and maintenance labor and benefits of \$2,045 or 2.7%.
- Insurance expense was \$26,167 for FY 2019 and decreased \$936 or 3.5% from FY 2018.
- General expenses were \$28,255 for FY 2019 and increased \$4,051 or 16.7% from FY 2018.
- The Authority had non routine maintenance of \$937 for FY 2019.
- The Authority had a \$5,043 or 4.4% increase in depreciation, which is the write-off of capital assets over their estimated useful life. Depreciation totaled \$118,764 for FY 2019 or 7.6% of total expenses.
- Housing assistance payments were \$907,692 or 58.2% of total expenses for FY 2019. Housing assistance payments increased \$30,932 or 3.5% due to a 3.9% increase in number of vouchers issued and outstanding during FY 2019.

The Public Housing occupancy rate for fiscal year ended December 31, 2019 was 98.1%, down from 99.1% in FY 2018.

The Authority is authorized to assist 203 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease-up rate for FY 2019 was 85.0%, up from 81.8% in FY 2018.

CAPITAL ASSETS

The Housing Authority of the City of Mt. Vernon, Indiana's net investment in capital assets as of December 31, 2019 amounts to \$1,077,434 (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 6.5% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues were \$43,303 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 \$118,764. 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	\$1,152,895	\$43,303	\$(118,764)	\$0	\$1,077,434

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2019

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 2020 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 \$29,789 in HUD-Held Reserves and \$12,106 in HAP Reserves available for housing assistance payments. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2020 and adjusted for pro-ration which is currently at 80.442%.

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, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$	218,719
Cash - restricted		21,246
Receivables - net of allowances		133,699
Inventory - net of allowances		11,135
Prepaid expenses		<u>3,603</u>

Total Current Assets 388,402

Non-current Assets:

Capital assets:

Land and construction in progress		322,428
Other capital assets, net of depreciation		<u>755,006</u>

Total capital assets - net 1,077,434

Total Non-current Assets 1,077,434

Total Assets \$ 1,465,836

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, 2019

LIABILITIES

Current Liabilities:

Accounts payable	\$	35,803
Accrued salaries and benefits		10,338
Tenant security deposit liability		9,140
Accrued compensated absences		5,929
Unearned revenues		<u>2,428</u>

Total Current Liabilities 63,638

Non-current Liabilities:

Compensated absences		<u>5,929</u>
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Total Non-current Liabilities 5,929

Total Liabilities 69,567

NET POSITION

Net investment in capital assets		1,077,434
Restricted		12,106
Unrestricted		<u>306,729</u>

Total Net Position 1,396,269

Total Liabilities and Net Position \$ 1,465,836

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, 2019

OPERATING REVENUES	
Tenant revenue	\$ 335,121
Governmental grants and subsidy	1,314,695
Miscellaneous	<u>4,875</u>
Total operating revenue	<u>1,654,691</u>
OPERATING EXPENSES	
Administrative	196,931
Tenant services	460
Utilities	113,790
Ordinary maintenance and operations	167,443
Insurance	26,167
General	28,255
Non routine maintenance	937
Housing assistance payment	907,692
Depreciation expense	<u>118,764</u>
Total operating expenses	<u>1,560,439</u>
Operating income (loss)	<u>94,252</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>264</u>
Net non-operating revenues (expenses)	<u>264</u>
Income (loss) before contributions and transfers	<u>94,516</u>
Capital contributions	<u>5,312</u>
Change in net position	99,828
Total net position - beginning of year	<u>1,296,441</u>
Total net position - end of year	<u>\$ <u>1,396,269</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from tenants	\$ 329,399
Received from governmental grants and subsidy	1,182,159
Received from other operating activities	12,075
Payments for goods and services	(266,624)
Payments to employees	(250,093)
Payment in lieu of taxes	(9,975)
Payment for housing assistance	<u>(907,692)</u>
Net cash provided by (used in) operating activities	<u>89,249</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital contributions	5,312
Purchases of capital assets	<u>(40,723)</u>
Net cash provided by (used in) capital and related financing activities	<u>(35,411)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds (payments) from sale (purchase) of investments	52,069
Receipts of interest and dividends	<u>367</u>
Net cash provided by (used in) investing activities	<u>52,436</u>
Net increase (decrease) in cash and cash equivalents	106,274
Cash and cash equivalents at beginning of year	<u>133,691</u>
Cash and cash equivalents at end of year	<u>\$ 239,965</u>

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, 2019

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

Operating income (loss)	\$	94,252
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		118,764
Change in assets and liabilities:		
Receivables, net		(132,290)
Inventories, net		(220)
Prepaid expenses		(602)
Accounts and other payables		6,782
Tenant security deposit		(700)
Unearned revenues		(1,481)
Compensated absences		(180)
Accrued expenses		<u>4,924</u>
Net cash provided by (used) by operating activities	\$	<u><u>89,249</u></u>

Supplemental schedule of non-cash investing, capital and financing activities:

The Authority purchased fixed assets during FY 2019 in the amount of \$43,303. In conjunction with the acquisition, liabilities were assumed as follows:

Fair value of capital assets acquired	\$	43,303
Cash paid for the capital assets		<u>(40,723)</u>
Liabilities assumed	\$	<u><u>2,580</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
December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the City of Mt. Vernon (Authority) is a public body and a body corporate and politic organized under the laws of the State of Indiana that is legally separate, fiscally independent and governed by a Board of Commissioners. The Authority was established to provide Low-Rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other applicable federal agencies. Additionally, HUD has entered into Annual Contributions Contract with the Authority for the purpose of administering housing and housing relating programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

The financial statements of the Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1A. Financial Reporting Entity

The Authority's financial reporting entity comprises the following:

Primary Government: Housing Authority

In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and No. 61, "The Financial Reporting Entity," and includes all component units of which the Authority appointed a voting majority of the units' board; the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. On the basis of the application of these criteria, there are no component units which are required to be included in the Authority's financial statements.

1B. Basis of Presentation

The accounts of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. The operations of each fund are reported as a separate set of self-balancing accounts that are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds consist of three major categories: governmental, proprietary and fiduciary. Funds within each major category are grouped by fund type in the combined financial statements. The Authority uses the following fund:

Proprietary Fund Types - This fund is used to account for the Authority's ongoing activities that are similar to those often found in the private sector. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position. Proprietary fund equity is segregated into net investment in capital assets and restricted and unrestricted net position. The following are the Authority's proprietary fund types:

Enterprise Fund - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Authority's programs as an enterprise fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

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

1B. Basis of Presentation - (Continued)

The Authority operates the following programs in the enterprise fund:

Public and Indian Housing - The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

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

Section 8 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, 2019

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 and tenants account 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, 2019

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 Vouchers 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, 2019

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:

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Public Housing Capital Fund	Modernization
Housing Choice Vouchers	Housing assistance payment

For the year ended December 31, 2019, 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, 2019

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

As of December 31, 2019, the Authority had the following cash deposits:

Cash deposits	\$	239,865
Petty cash		100
Total	\$	239,965

Following is a reconciliation of the Authority’s deposit balances as of December 31, 2019:

Cash and cash equivalents	\$	218,719
Restricted assets		21,246
Total	\$	239,965

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, 2019, the Authority’s bank balances of \$239,985 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.

3B. Restricted Assets

Restricted assets at December 31, 2019 consist of the following:

Type of Restricted Assets	Cash Including Time Deposits	Investments	Accrued Interest	Total
Security deposit	9,140	----	----	9,140
HAP	12,106	----	----	12,106
Total	\$ 21,246	\$ ----	\$ ----	\$ 21,246

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

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

3C. Accounts Receivable

Receivables at December 31, 2019 consist of the following:

Tenant account receivable	\$ 578
HUD	<u>133,121</u>
Total Accounts Receivable	<u>\$ 133,699</u>

3D. Inventory

Inventory at December 31, 2019 comprised of the following:

Inventory	\$ 12,372
Less: Allowance for obsolete inventory	<u>(1,237)</u>
Inventory - net of allowance	<u>\$ 11,135</u>

3E. Capital Assets

A summary of capital asset activity for the year ended December 31, 2019 is as follows:

	Balance January 1, 2019	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance December 31, 2019
Non-depreciable assets:					
Land	\$ 322,428	\$ -	\$ -	\$ -	\$ 322,428
Construction in progress	<u>11,395</u>	-	-	(11,395)	-
Total non-depreciable assets	<u>333,823</u>	-	-	(11,395)	<u>322,428</u>
Depreciable assets:					
Building	4,294,970	18,996	-	11,395	4,325,361
Equipment - dwelling	3,220	-	-	-	3,220
Equipment - administration	146,961	10,827	(27,744)	-	130,044
Leasehold improvements	<u>52,906</u>	<u>13,480</u>	-	-	<u>66,386</u>
Total depreciable assets	4,498,057	43,303	(27,744)	11,395	4,525,011
Accumulated depreciation	<u>(3,678,985)</u>	<u>(118,764)</u>	<u>27,744</u>	-	<u>(3,770,005)</u>
Total depreciable assets, net	<u>819,072</u>	<u>(75,461)</u>	-	11,395	<u>755,006</u>
Capital assets, net	<u>\$ 1,152,895</u>	<u>\$ (75,461)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,077,434</u>

Depreciation expense is charged to programs as follows:

<u>Business-type Activities</u>	
Low Rent	\$ 113,725
CFP	4,727
HCV	<u>312</u>
Total depreciation expense	<u>\$ 118,764</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

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

3F. Accounts Payable

Accounts payable at December 31, 2019 consist of the following:

Vendors & contractors	\$	10,824	
Accrued utilities and other payable		14,246	
PILOT		<u>10,733</u>	
Total	\$	<u><u>35,803</u></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, 2019, 2018 and 2017 were \$4,711, \$4,607 and \$4,711 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, 2019, the Authority had the following pending Capital Fund project in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-18	\$ 104,339	\$ 104,339
CFP 501-19	<u>108,576</u>	<u>108,576</u>
Total	\$ <u><u>212,915</u></u>	\$ <u><u>212,915</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

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:

<u>Type of Loss</u>	<u>Method Managed</u>
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.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenants ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

NOTE 4 – OTHER NOTES - (Continued)

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 2020 federal budget.

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

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
December 31, 2019

1. Actual Capital Fund Program costs are as follows:

	<u>501-17</u>
Funds approved	\$ 71,095
Funds expended	<u>71,095</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 71,095
Funds expended	<u>71,095</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated February 14, 2020, submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2019.
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, 2019

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Public and Indian Housing	14.850	\$ 99,459
Public Housing Capital Fund	14.872	218,227
Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	<u>1,002,321</u>
Total Expenditures of Federal Awards		\$ <u>1,320,007</u>

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, 2019. 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 not 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, 2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$189,664	\$29,055	\$218,719		\$218,719
113 Cash - Other Restricted		\$12,106	\$12,106		\$12,106
114 Cash - Tenant Security Deposits	\$9,140		\$9,140		\$9,140
100 Total Cash	\$198,804	\$41,161	\$239,965	\$0	\$239,965
122 Accounts Receivable - HUD Other Projects	\$132,915	\$206	\$133,121		\$133,121
126 Accounts Receivable - Tenants	\$578		\$578		\$578
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$133,493	\$206	\$133,699	\$0	\$133,699
142 Prepaid Expenses and Other Assets	\$2,722	\$881	\$3,603		\$3,603
143 Inventories	\$12,372		\$12,372		\$12,372
143.1 Allowance for Obsolete Inventories	-\$1,237		-\$1,237		-\$1,237
150 Total Current Assets	\$346,154	\$42,248	\$388,402	\$0	\$388,402
161 Land	\$322,428		\$322,428		\$322,428
162 Buildings	\$4,325,361		\$4,325,361		\$4,325,361
163 Furniture, Equipment & Machinery - Dwellings	\$3,220		\$3,220		\$3,220
164 Furniture, Equipment & Machinery - Administration	\$125,110	\$4,934	\$130,044		\$130,044
165 Leasehold Improvements	\$66,386		\$66,386		\$66,386
166 Accumulated Depreciation	-\$3,768,380	-\$1,625	-\$3,770,005		-\$3,770,005
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,074,125	\$3,309	\$1,077,434	\$0	\$1,077,434
180 Total Non-Current Assets	\$1,074,125	\$3,309	\$1,077,434	\$0	\$1,077,434
290 Total Assets and Deferred Outflow of Resources	\$1,420,279	\$45,557	\$1,465,836	\$0	\$1,465,836
312 Accounts Payable <= 90 Days	\$8,018	\$2,806	\$10,824		\$10,824
321 Accrued Wage/Payroll Taxes Payable	\$9,247	\$1,091	\$10,338		\$10,338
322 Accrued Compensated Absences - Current Portion	\$5,572	\$357	\$5,929		\$5,929
333 Accounts Payable - Other Government	\$10,733		\$10,733		\$10,733
341 Tenant Security Deposits	\$9,140		\$9,140		\$9,140
342 Unearned Revenue	\$2,428		\$2,428		\$2,428
346 Accrued Liabilities - Other	\$14,246		\$14,246		\$14,246
310 Total Current Liabilities	\$59,384	\$4,254	\$63,638	\$0	\$63,638
354 Accrued Compensated Absences - Non Current	\$5,572	\$357	\$5,929		\$5,929
350 Total Non-Current Liabilities	\$5,572	\$357	\$5,929	\$0	\$5,929
300 Total Liabilities	\$64,956	\$4,611	\$69,567	\$0	\$69,567
508.4 Net Investment in Capital Assets	\$1,074,125	\$3,309	\$1,077,434		\$1,077,434
511.4 Restricted Net Position		\$12,106	\$12,106		\$12,106
512.4 Unrestricted Net Position	\$281,198	\$25,531	\$306,729		\$306,729
513 Total Equity - Net Assets / Position	\$1,355,323	\$40,946	\$1,396,269	\$0	\$1,396,269
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,420,279	\$45,557	\$1,465,836	\$0	\$1,465,836

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

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$328,188		\$328,188		\$328,188
70400 Tenant Revenue - Other	\$6,933		\$6,933		\$6,933
70500 Total Tenant Revenue	\$335,121	\$0	\$335,121	\$0	\$335,121
70600 HUD PHA Operating Grants	\$312,374	\$1,002,321	\$1,314,695		\$1,314,695
70610 Capital Grants	\$5,312		\$5,312		\$5,312
71100 Investment Income - Unrestricted	\$28	\$236	\$264		\$264
71500 Other Revenue	\$12,075		\$12,075	-\$7,200	\$4,875
70000 Total Revenue	\$664,910	\$1,002,557	\$1,667,467	-\$7,200	\$1,660,267
91100 Administrative Salaries	\$81,959	\$44,685	\$126,644		\$126,644
91200 Auditing Fees	\$3,325	\$3,250	\$6,575		\$6,575
91400 Advertising and Marketing	\$284	\$18	\$302		\$302
91500 Employee Benefit contributions - Administrative	\$21,515	\$14,183	\$35,698		\$35,698
91600 Office Expenses	\$8,285	\$15,018	\$23,303	-\$7,200	\$16,103
91700 Legal Expense	\$1,768		\$1,768		\$1,768
91900 Other	\$5,073	\$4,768	\$9,841		\$9,841
91000 Total Operating - Administrative	\$122,209	\$81,922	\$204,131	-\$7,200	\$196,931
92400 Tenant Services - Other	\$460		\$460		\$460
92500 Total Tenant Services	\$460	\$0	\$460	\$0	\$460
93100 Water	\$7,611		\$7,611		\$7,611
93200 Electricity	\$93,941		\$93,941		\$93,941
93600 Sewer	\$10,115		\$10,115		\$10,115
93800 Other Utilities Expense	\$2,123		\$2,123		\$2,123
93000 Total Utilities	\$113,790	\$0	\$113,790	\$0	\$113,790
94100 Ordinary Maintenance and Operations - Labor	\$61,792		\$61,792		\$61,792
94200 Ordinary Maintenance and Operations - Materials and Other	\$28,760	\$1,020	\$29,780		\$29,780
94300 Ordinary Maintenance and Operations Contracts	\$59,660		\$59,660		\$59,660
94500 Employee Benefit Contributions - Ordinary Maintenance	\$16,211		\$16,211		\$16,211
94000 Total Maintenance	\$166,423	\$1,020	\$167,443	\$0	\$167,443
96110 Property Insurance	\$19,959		\$19,959		\$19,959
96120 Liability Insurance	\$1,266	\$528	\$1,794		\$1,794
96130 Workmen's Compensation	\$2,574	\$1,287	\$3,861		\$3,861
96140 All Other Insurance	\$320	\$233	\$553		\$553
96100 Total insurance Premiums	\$24,119	\$2,048	\$26,167	\$0	\$26,167
96210 Compensated Absences	\$11,634	\$2,101	\$13,735		\$13,735
96300 Payments in Lieu of Taxes	\$10,733		\$10,733		\$10,733
96400 Bad debt - Tenant Rents	\$3,787		\$3,787		\$3,787
96000 Total Other General Expenses	\$26,154	\$2,101	\$28,255	\$0	\$28,255
96900 Total Operating Expenses	\$453,155	\$87,091	\$540,246	-\$7,200	\$533,046
97000 Excess of Operating Revenue over Operating Expenses	\$211,755	\$915,466	\$1,127,221	\$0	\$1,127,221

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

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$937		\$937		\$937
97300 Housing Assistance Payments		\$907,692	\$907,692		\$907,692
97400 Depreciation Expense	\$118,452	\$312	\$118,764		\$118,764
90000 Total Expenses	\$572,544	\$995,095	\$1,567,639	-\$7,200	\$1,560,439
10010 Operating Transfer In	\$212,915		\$212,915	-\$212,915	\$0
10020 Operating transfer Out	-\$212,915		-\$212,915	\$212,915	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$92,366	\$7,462	\$99,828	\$0	\$99,828
11030 Beginning Equity	\$1,262,957	\$33,484	\$1,296,441		\$1,296,441
11170 Administrative Fee Equity		\$28,840	\$28,840		\$28,840
11180 Housing Assistance Payments Equity		\$12,106	\$12,106		\$12,106
11190 Unit Months Available	996	2166	3162		3162
11210 Number of Unit Months Leased	977	2070	3047		3047
11270 Excess Cash	\$235,151		\$235,151		\$235,151
11620 Building Purchases	\$18,996		\$18,996		\$18,996
11640 Furniture & Equipment - Administrative Purchases	\$7,206		\$7,206		\$7,206
11650 Leasehold Improvements Purchases	\$13,480		\$13,480		\$13,480

**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, 2019, 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 17, 2020.

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 17, 2020

**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, 2019. 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, 2019.

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 17, 2020

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
<u>Internal control over financial reporting:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

<u>Internal control over major programs:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	No
<u>Identification of Major programs:</u>	
➤ CFDA #14.871 Section 8 Housing Choice Vouchers	
➤ CFDA #14.872 Public Housing Capital Fund	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

The current audit report for the year ended December 31, 2018 disclosed no Financial Statement audit finding.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended December 31, 2018 disclosed no Federal Awards audit finding and questioned costs.