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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 9, 2021

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, 2020 to December 31, 2020. 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, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Audit Solutions, LLC, prepared the audit report 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, 2020

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 of 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, 2020, 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, 2020, 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 supplemental information, as described in the table of contents and the Schedule of Expenditures of Federal Awards, which is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information, as described in the table of contents, is 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 supplemental information, as described in the table of contents, is 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 22, 2021, 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 22, 2021

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2020

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, 2020. 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, 2020 was \$1,278,473. The net position decreased by \$117,796, a decrease of 8.4% from the prior year.
- Revenues for the Authority were \$1,440,953 for the year ended December 31, 2020. This was a decrease of \$219,314 or 13.2% from the prior year.
- Expenses for the Authority were \$1,558,749 for the year ended December 31, 2020. This was a decrease of \$1,690 or 0.1% from the prior year.
- Tenant revenue for the Authority was \$348,818 or 24.2% of total revenues for the year ended December 31, 2020. This was an increase of \$13,697 or 4.1% over the prior year. Governmental grants and subsidy for the Authority was \$1,091,122 or 75.7% of total revenues for the year ended December 31, 2020. This was a decrease of \$223,573 or 17.0% from the prior year. HUD capital grants for the Authority decreased \$5,312 or 100.0% 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, 2020

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, 2020 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 \$1,278,473 at the close of the year ended December 31, 2020, down from \$1,396,269 in fiscal year 2019. The decrease in net position of \$117,796 was due to the reasons noted below.

- Current assets were \$349,309 or 25.8% of total assets for FY 2020 and include cash, investments, receivables, and prepaid expenses. Of the \$39,093 decrease in this category, cash and investments increased \$63,954, receivables decreased \$102,913, prepaid expenses decreased \$1,455, and materials inventory increased \$1,321.
- Capital assets were \$1,006,584 or 74.2% of total assets for FY 2020 and decreased \$70,850 from FY 2019. 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 \$13,782 or 21.7% from FY 2019 mostly due to an increase in unearned revenues of \$11,027 and an increase in accounts payable of \$3,527.
- Noncurrent liabilities decreased \$5,929 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, 2020

FINANCIAL ANALYSIS (CONTINUED)

The unrestricted net position was \$250,477 as of December 31, 2020. 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 five months. The restricted net position resulting from excess Housing Choice Voucher HAP funding was \$21,412 as of December 31, 2020. 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 2020</u>	<u>FY 2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 349,309	\$ 388,402	\$ (39,093)	-10.1%
Capital assets	<u>1,006,584</u>	<u>1,077,434</u>	<u>(70,850)</u>	-6.6%
Total Assets	<u>1,355,893</u>	<u>1,465,836</u>	<u>(109,943)</u>	-7.5%
Deferred Outflows	<u>-</u>	<u>-</u>	<u>-</u>	0.0%
TOTAL	<u>\$ 1,355,893</u>	<u>\$ 1,465,836</u>	<u>\$ (109,943)</u>	-7.5%
Current liabilities	\$ 77,420	\$ 63,638	\$ 13,782	21.7%
Noncurrent liabilities	<u>-</u>	<u>5,929</u>	<u>(5,929)</u>	-100.0%
Total Liabilities	<u>77,420</u>	<u>69,567</u>	<u>7,853</u>	11.3%
Deferred Inflows	<u>-</u>	<u>-</u>	<u>-</u>	0.0%
Net Position				
Net investment in capital assets	1,006,584	1,077,434	(70,850)	-6.6%
Restricted	21,412	12,106	9,306	76.9%
Unrestricted	<u>250,477</u>	<u>306,729</u>	<u>(56,252)</u>	-18.3%
Total Net Position	<u>1,278,473</u>	<u>1,396,269</u>	<u>\$ (117,796)</u>	-8.4%
TOTAL	<u>\$ 1,355,893</u>	<u>\$ 1,465,836</u>	<u>\$ (109,943)</u>	-7.5%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2020

FINANCIAL ANALYSIS (CONTINUED)

The largest portion of the Authority's net position reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

As can be seen in the table on the following page, total revenues decreased \$219,314 due to the reasons noted below.

- Tenant revenue increased \$13,697 or 4.1% from FY 2019 primarily due to a 1.1% increase in Public Housing occupancy and an increase in average dwelling rental charge per unit of \$9.80 or 2.9%. Average dwelling rent per unit was \$345.71 in FY 2020, up from \$335.91 in FY 2019.
- Governmental grants and subsidy decreased \$223,573 from FY 2019 primarily due to a \$44,327 decrease in housing choice voucher program assistance received from HUD and a \$212,915 decrease in capital funds utilized for operating expenditures. This was partially offset by funding earned in FY 2020 for Public Housing and Section 8 Voucher CARES Act of \$8,853 and \$35,119, respectively. Funding for Public Housing Operating Subsidy decreased \$10,303 or 10.4% in FY 2020.
- Capital grant revenue decreased \$5,312 from FY 2019. 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.
- Miscellaneous revenue decreased \$4,352 from FY 2019.
- Investment income increased \$226 from FY 2019.

Total expenses decreased \$1,690 due to the reasons noted below.

- Administrative expense was \$212,311 or 13.6% of total expenses for FY 2020 and increased \$15,380 or 7.8% over FY 2019. Increase in administrative expense was mainly due to increase in administrative wages and benefits of \$8,163 or 5.0%, which was partially offset by a \$1,768 decrease in legal expense.
- Tenant services decreased \$383 or 83.3% from FY 2019.
- Utilities were \$116,449 or 7.5% of total expenses for FY 2020 and increased \$2,659 or 2.3% from 2019. Increase in utilities was mostly due to an increase in water and sewer of \$1,690 or 9.5% and an increase in electricity of \$969 or 1.0%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2020

FINANCIAL ANALYSIS (CONTINUED)

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

	FY 2020	FY 2019	Dollar Change	Percent Change
Revenues				
Operating - non-operating - capital contributions:				
Tenant revenue	\$ 348,818	\$ 335,121	\$ 13,697	4.1%
Governmental grants and subsidy	1,091,122	1,314,695	(223,573)	-17.0%
Capital grants	-	5,312	(5,312)	-100.0%
Miscellaneous revenue	523	4,875	(4,352)	-89.3%
Investment income	490	264	226	85.6%
Total Revenues	1,440,953	1,660,267	(219,314)	-13.2%
Expenses				
Administrative	212,311	196,931	15,380	7.8%
Tenant services	77	460	(383)	-83.3%
Utilities	116,449	113,790	2,659	2.3%
Ordinary maintenance & operations	199,333	167,443	31,890	19.0%
Insurance	25,649	26,167	(518)	-2.0%
General expense	26,398	28,255	(1,857)	-6.6%
Non routine maintenance	-	937	(937)	-100.0%
Depreciation	123,280	118,764	4,516	3.8%
Housing assistance payments	855,252	907,692	(52,440)	-5.8%
Total Expenses	1,558,749	1,560,439	(1,690)	-0.1%
Excess (deficiency) before prior period adjustments	(117,796)	99,828	(217,624)	
Prior period adjustments	-	-	-	
Change in net position	(117,796)	99,828	(217,624)	
Beginning net position	1,396,269	1,296,441	99,828	
Ending net position	\$ 1,278,473	\$ 1,396,269	\$ (117,796)	

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2020

FINANCIAL ANALYSIS (CONTINUED)

- Ordinary maintenance and operations totaled \$199,333 for FY 2020 or 12.8% of total expenses. Increase in maintenance expenses of \$31,890 was due to an increase in contracted maintenance services of \$14,396 or 24.1%, maintenance materials of \$3,732 or 12.5%, and maintenance labor and benefits of \$13,762 or 17.6%.
- Insurance expense was \$25,649 for FY 2020 and decreased \$518 or 2.0% from FY 2019.
- General expenses were \$26,398 for FY 2020 and decreased \$1,857 or 6.6% from FY 2019.
- Non routine maintenance decreased \$937 from FY 2019.
- The Authority had a \$4,516 or 3.8% increase in depreciation, which is the write-off of capital assets over their estimated useful life. Depreciation totaled \$123,280 for FY 2020 or 7.9% of total expenses.
- Housing assistance payments were \$855,252 or 54.9% of total expenses for FY 2020. Housing assistance payments decreased \$52,440 or 5.8% due to a 3.5% decrease in voucher leasing and a decrease in average housing assistance payment per unit of \$10.44 or 2.4%. Average housing assistance payment per unit was \$428.05 in FY 2020, down from \$438.50 in FY 2019.

The Public Housing occupancy rate for fiscal year ended December 31, 2020 was 99.2%, up from 98.1% in FY 2019.

The Authority is authorized to assist 203 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease-up rate for FY 2020 was 82.0%, down from 85.0% in FY 2019.

CAPITAL ASSETS

The Housing Authority of the City of Mt. Vernon, Indiana's net investment in capital assets as of December 31, 2020 amounts to \$1,006,584 (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 6.6% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues were \$52,430 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 \$123,280. 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	\$1,077,434	\$52,430	\$(123,280)	\$0	\$1,006,584

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2020

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 2021 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 \$93,297 in HUD-Held Reserves and \$21,412 in HAP Reserves available for housing assistance payments. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2021 and adjusted for pro-ration which is currently at 84.870%.

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 Drive, Mt. Vernon, Indiana 47620.

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

STATEMENT OF NET POSITION
December 31, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$	266,937
Cash - restricted		36,982
Receivables - net of allowances		30,786
Inventory - net of allowances		12,456
Prepaid expenses		<u>2,148</u>

Total Current Assets 349,309

Non-current Assets:

Capital assets:

Land and construction in progress		322,428
Other capital assets, net of depreciation		<u>684,156</u>

Total capital assets - net 1,006,584

Total Non-current Assets 1,006,584

Total Assets and Deferred Outflow of Resources \$ 1,355,893

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, 2020

LIABILITIES

Current Liabilities:

Accounts payable	\$	39,009
Accrued salaries and benefits		14,155
Tenant security deposit liability		9,440
Accrued compensated absences		1,361
Unearned revenues		<u>13,455</u>

Total Current Liabilities 77,420

Total Liabilities 77,420

NET POSITION

Net investment in capital assets		1,006,584
Restricted		21,412
Unrestricted		<u>250,477</u>

Total Net Position 1,278,473

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 1,355,893

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, 2020

OPERATING REVENUES	
Tenant revenue	\$ 348,818
Governmental grants and subsidy	1,091,122
Miscellaneous	<u>523</u>
Total operating revenue	<u>1,440,463</u>
OPERATING EXPENSES	
Administrative	212,311
Tenant services	77
Utilities	116,449
Ordinary maintenance and operations	199,333
Insurance	25,649
General	26,398
Housing assistance payment	855,252
Depreciation expense	<u>123,280</u>
Total operating expenses	<u>1,558,749</u>
Operating income (loss)	<u>(118,286)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>490</u>
Net non-operating revenues (expenses)	<u>490</u>
Income (loss) before contributions and transfers	<u>(117,796)</u>
Change in net position	(117,796)
Total net position - beginning of year	<u>1,396,269</u>
Total net position - end of year	<u>\$ 1,278,473</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from tenants	\$ 351,578
Received from governmental grants and subsidy	1,202,866
Received from other operating activities	9,859
Payments for goods and services	(295,767)
Payments to employees	(284,077)
Payment in lieu of taxes	(10,733)
Payment for housing assistance	<u>(855,252)</u>
Net cash provided by (used in) operating activities	<u>118,474</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	<u>(55,010)</u>
Net cash provided by (used in) capital and related financing activities	<u>(55,010)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of interest and dividends	<u>490</u>
Net cash provided by (used in) investing activities	<u>490</u>
Net increase (decrease) in cash and cash equivalents	63,954
Cash and cash equivalents at beginning of year	<u>239,965</u>
Cash and cash equivalents at end of year	<u>\$ 303,919</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, 2020

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

Operating income (loss)	\$	(118,286)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		123,280
Change in assets and liabilities:		
Receivables, net		102,913
Inventories, net		(1,321)
Prepaid expenses		1,455
Accounts and other payables		4,065
Tenant security deposit		300
Unearned revenues		11,027
Compensated absences		(10,497)
Accrued expenses		<u>5,538</u>
Net cash provided by (used) by operating activities	\$	<u><u>118,474</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, 2020

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, 2020

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.

Public Housing and HCV CARES Act - The CARES Act provides funding to prevent, prepare for, and respond to COVID-19, and to maintain normal operations and take other necessary actions during the period the program is impacted by the pandemic.

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, 2020

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 fraud recovery.

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, 2020

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, HAP and CARES funds under the Public and Indian Housing, Housing Choice Vouchers, and HCV-CARES program respectively.

Compensated Absences

The Authority's policies regarding vacation does not time permit employees to carry forward unused vacation leave except for one week. The liability for these compensated absences is recorded as short-term liabilities based on the Authority's policy.

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, 2020

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
Section 8 Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Public Housing CARES Act	U.S. Department of Housing and Urban Development
HCV CARES Act	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
Section 8 Housing Choice Vouchers	Housing assistance payment
Public Housing and HCV CARES Act	COVID related expenses

For the year ended December 31, 2020, 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, 2020

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, 2020, the Authority had the following cash deposits:

Cash deposits	\$ 303,819
Petty cash	<u>100</u>
Total	<u>\$ 303,919</u>

Following is a reconciliation of the Authority’s deposit balances as of December 31, 2020:

Cash and cash equivalents	\$ 266,937
Restricted assets	<u>36,982</u>
Total	<u>\$ 303,919</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, 2020, the Authority’s bank balances of \$318,670 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, 2020 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	\$ 9,440	\$ -----	\$ -----	\$ 9,440
HCV-CARES	6,130	-----	-----	6,130
HAP	<u>21,412</u>	<u>-----</u>	<u>-----</u>	<u>21,412</u>
Total	<u>\$ 36,982</u>	<u>\$ -----</u>	<u>\$ -----</u>	<u>\$ 36,982</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2020

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

3C. Accounts Receivable

Receivables at December 31, 2020 consist of the following:

HUD	\$	30,522
Fraud recovery		<u>264</u>
Total Accounts Receivable	\$	<u><u>30,786</u></u>

3D. Inventory

Inventory at December 31, 2020 comprised of the following:

Inventory	\$	13,840
Less: Allowance for obsolete inventory		<u>(1,384)</u>
Inventory - net of allowance	\$	<u><u>12,456</u></u>

3E. Capital Assets

A summary of capital asset activity for the year ended December 31, 2020 is as follows:

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>(Retirement)</u>	<u>Balance December 31, 2020</u>
Non-depreciable assets:				
Land	\$ <u>322,428</u>	\$ -	\$ -	\$ <u>322,428</u>
Total non-depreciable assets	<u>322,428</u>	<u>-</u>	<u>-</u>	<u>322,428</u>
Depreciable assets:				
Building	4,325,361	45,861	-	4,371,222
Equipment - dwelling	3,220	-	-	3,220
Equipment - administration	130,044	4,122	-	134,166
Leasehold improvements	<u>66,386</u>	<u>2,447</u>	-	<u>68,833</u>
Total depreciable assets	4,525,011	52,430	-	4,577,441
Accumulated depreciation	<u>(3,770,005)</u>	<u>(123,280)</u>	<u>-</u>	<u>(3,893,285)</u>
Total depreciable assets, net	<u>755,006</u>	<u>(70,850)</u>	<u>-</u>	<u>684,156</u>
Capital assets, net	\$ <u><u>1,077,434</u></u>	\$ <u><u>(70,850)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,006,584</u></u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Public and Indian Housing	\$ 122,410
Housing Choice Vouchers	<u>870</u>
Total depreciation expense	\$ <u><u>123,280</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2020

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

3F. Accounts Payable

Accounts payable at December 31, 2020 consist of the following:

Vendors & contractors	\$ 14,351
Accrued utilities	13,387
PILOT	<u>11,271</u>
Total	<u>\$ 39,009</u>

3G. Inter-program Transactions and Balances

Inter-program Receivable/Payable

Inter-program receivable/payable is eliminated for financial statement presentation. The following inter-program receivable/payable existed at September 30, 2020:

	<u>Due From</u>	<u>Due To</u>
Public and Indian Housing	\$ 522	\$ -
Public Housing CARES	<u>-</u>	<u>(522)</u>
Total	<u>\$ 522</u>	<u>\$ (522)</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, 2020, 2019 and 2018 were \$4,527, \$4,711 and \$4,607 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2020

NOTE 4 – OTHER NOTES - (Continued)

4C. Commitments - Construction

At December 31, 2020, the Authority had the following pending projects in progress:

	<u>Funds Approved</u>		<u>Funds Expended - Project to Date</u>
PH-CARES	\$ 13,721	\$	8,853
HCV-CARES	\$ 41,249	\$	35,119
CFP 501-19	\$ 108,576	\$	108,576

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.

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 in operating activities, which differs from the presentation of basic financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2020

NOTE 4 – OTHER NOTES - (Continued)

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.

Management evaluated the activity of the Authority through June 22, 2021 and concluded that no additional subsequent events have occurred that would require adjustment to or disclosures within these financial statements except for the one noted above.

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 2021 federal budget.

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

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
December 31, 2020

1. Actual Capital Fund Program costs are as follows:

	<u>501-18</u>
Funds approved	\$ 104,339
Funds expended	<u>104,339</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 104,339
Funds expended	<u>104,339</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated April 20, 2020, submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2020.
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, 2020

Federal Grantor	Federal CFDA #	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Public and Indian Housing	14.850	\$ 89,156
Public and Indian Housing - Cares Act	14.850	8,853
Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	957,994
Section 8 Housing Choice Vouchers - Cares Act	14.871	<u>35,119</u>
Total Expenditures of Federal Awards		\$ <u><u>1,091,122</u></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, 2020. 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, 2020

	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$232,945		\$33,992		\$266,937		\$266,937
113 Cash - Other Restricted			\$21,412	\$6,130	\$27,542		\$27,542
114 Cash - Tenant Security Deposits	\$9,440				\$9,440		\$9,440
100 Total Cash	\$242,385	\$0	\$55,404	\$6,130	\$303,919	\$0	\$303,919
122 Accounts Receivable - HUD Other Projects	\$30,000	\$522			\$30,522		\$30,522
128 Fraud Recovery			\$264		\$264		\$264
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$30,000	\$522	\$264	\$0	\$30,786	\$0	\$30,786
142 Prepaid Expenses and Other Assets	\$1,976		\$172		\$2,148		\$2,148
143 Inventories	\$13,840				\$13,840		\$13,840
143.1 Allowance for Obsolete Inventories	-\$1,384				-\$1,384		-\$1,384
144 Inter Program Due From	\$522				\$522	-\$522	\$0
150 Total Current Assets	\$287,339	\$522	\$55,840	\$6,130	\$349,831	-\$522	\$349,309
161 Land	\$322,428				\$322,428		\$322,428
162 Buildings	\$4,360,181		\$11,041		\$4,371,222		\$4,371,222
163 Furniture, Equipment & Machinery - Dwellings	\$3,220				\$3,220		\$3,220
164 Furniture, Equipment & Machinery - Administration	\$125,110		\$9,056		\$134,166		\$134,166
165 Leasehold Improvements	\$68,833				\$68,833		\$68,833
166 Accumulated Depreciation	-\$3,890,790		-\$2,495		-\$3,893,285		-\$3,893,285
160 Total Capital Assets, Net of Accumulated Depreciation	\$988,982	\$0	\$17,602	\$0	\$1,006,584	\$0	\$1,006,584
180 Total Non-Current Assets	\$988,982	\$0	\$17,602	\$0	\$1,006,584	\$0	\$1,006,584
290 Total Assets and Deferred Outflow of Resources	\$1,276,321	\$522	\$73,442	\$6,130	\$1,356,415	-\$522	\$1,355,893

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

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2020

	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$9,034		\$5,317		\$14,351		\$14,351
321 Accrued Wage/Payroll Taxes Payable	\$13,453		\$702		\$14,155		\$14,155
322 Accrued Compensated Absences - Current Portion	\$1,361				\$1,361		\$1,361
333 Accounts Payable - Other Government	\$11,271				\$11,271		\$11,271
341 Tenant Security Deposits	\$9,440				\$9,440		\$9,440
342 Unearned Revenue	\$4,310		\$3,015	\$6,130	\$13,455		\$13,455
346 Accrued Liabilities - Other	\$13,387				\$13,387		\$13,387
347 Inter Program - Due To		\$522			\$522	-\$522	\$0
310 Total Current Liabilities	\$62,256	\$522	\$9,034	\$6,130	\$77,942	-\$522	\$77,420
300 Total Liabilities	\$62,256	\$522	\$9,034	\$6,130	\$77,942	-\$522	\$77,420
508.4 Net Investment in Capital Assets	\$988,982		\$17,602		\$1,006,584		\$1,006,584
511.4 Restricted Net Position			\$21,412		\$21,412		\$21,412
512.4 Unrestricted Net Position	\$225,083	\$0	\$25,394	\$0	\$250,477		\$250,477
513 Total Equity - Net Assets / Position	\$1,214,065	\$0	\$64,408	\$0	\$1,278,473	\$0	\$1,278,473
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,276,321	\$522	\$73,442	\$6,130	\$1,356,415	-\$522	\$1,355,893

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

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2020

	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$341,561				\$341,561		\$341,561
70400 Tenant Revenue - Other	\$7,257				\$7,257		\$7,257
70500 Total Tenant Revenue	\$348,818	\$0	\$0	\$0	\$348,818	\$0	\$348,818
70600 HUD PHA Operating Grants	\$89,156	\$8,853	\$957,994	\$35,119	\$1,091,122		\$1,091,122
71100 Investment Income - Unrestricted	\$39		\$451		\$490		\$490
71400 Fraud Recovery			\$305		\$305		\$305
71500 Other Revenue	\$9,818				\$9,818	-\$9,600	\$218
70000 Total Revenue	\$447,831	\$8,853	\$958,750	\$35,119	\$1,450,553	-\$9,600	\$1,440,953
91100 Administrative Salaries	\$78,127	\$2,000	\$47,346	\$8,748	\$136,221		\$136,221
91200 Auditing Fees	\$3,325		\$3,325		\$6,650		\$6,650
91400 Advertising and Marketing	\$112		\$43		\$155		\$155
91500 Employee Benefit contributions - Administrative	\$21,181	\$231	\$12,173	\$699	\$34,284		\$34,284
91600 Office Expenses	\$10,372		\$19,546	\$2,796	\$32,714	-\$9,600	\$23,114
91800 Travel	\$100		\$100		\$200		\$200
91900 Other	\$4,849	\$575	\$4,754	\$1,509	\$11,687		\$11,687
91000 Total Operating - Administrative	\$118,066	\$2,806	\$87,287	\$13,752	\$221,911	-\$9,600	\$212,311
92400 Tenant Services - Other	\$77				\$77		\$77
92500 Total Tenant Services	\$77	\$0	\$0	\$0	\$77	\$0	\$77
93100 Water	\$8,595				\$8,595		\$8,595
93200 Electricity	\$94,910				\$94,910		\$94,910
93600 Sewer	\$10,821				\$10,821		\$10,821
93800 Other Utilities Expense	\$2,123				\$2,123		\$2,123
93000 Total Utilities	\$116,449	\$0	\$0	\$0	\$116,449	\$0	\$116,449

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

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2020

	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	\$70,963	\$1,147		\$615	\$72,725		\$72,725
94200 Ordinary Maintenance and Operations - Materials and Other	\$25,506	\$2,575	\$437	\$4,994	\$33,512		\$33,512
94300 Ordinary Maintenance and Operations Contracts	\$71,350	\$325	\$471	\$1,910	\$74,056		\$74,056
94500 Employee Benefit Contributions - Ordinary Maintenance	\$19,040				\$19,040		\$19,040
94000 Total Maintenance	\$186,859	\$4,047	\$908	\$7,519	\$199,333	\$0	\$199,333
96110 Property Insurance	\$20,409				\$20,409		\$20,409
96120 Liability Insurance	\$853		\$795		\$1,648		\$1,648
96130 Workmen's Compensation	\$2,120		\$1,082		\$3,202		\$3,202
96140 All Other Insurance	\$260		\$130		\$390		\$390
96100 Total insurance Premiums	\$23,642	\$0	\$2,007	\$0	\$25,649	\$0	\$25,649
96210 Compensated Absences	\$12,315		\$2,812		\$15,127		\$15,127
96300 Payments in Lieu of Taxes	\$11,271				\$11,271		\$11,271
96000 Total Other General Expenses	\$23,586	\$0	\$2,812	\$0	\$26,398	\$0	\$26,398
96900 Total Operating Expenses	\$468,679	\$6,853	\$93,014	\$21,271	\$589,817	-\$9,600	\$580,217
97000 Excess of Operating Revenue over Operating Expenses	-\$20,848	\$2,000	\$865,736	\$13,848	\$860,736	\$0	\$860,736
97300 Housing Assistance Payments			\$855,252		\$855,252		\$855,252
97400 Depreciation Expense	\$122,410		\$870		\$123,280		\$123,280
90000 Total Expenses	\$591,089	\$6,853	\$949,136	\$21,271	\$1,568,349	-\$9,600	\$1,558,749
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$143,258	\$2,000	\$9,614	\$13,848	-\$117,796	\$0	-\$117,796
11030 Beginning Equity	\$1,355,323	\$0	\$40,946	\$0	\$1,396,269		\$1,396,269
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$2,000	-\$2,000	\$13,848	-\$13,848	\$0		\$0
11170 Administrative Fee Equity			\$42,996		\$42,996		\$42,996

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

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2020

	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
11180 Housing Assistance Payments Equity			\$21,412		\$21,412		\$21,412
11190 Unit Months Available	996		2266		3262		3262
11210 Number of Unit Months Leased	988		1998		2986		2986
11270 Excess Cash	\$171,595				\$171,595		\$171,595
11620 Building Purchases	\$34,820				\$34,820		\$34,820
11650 Leasehold Improvements Purchases	\$2,447				\$2,447		\$2,447

**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 of Mt. Vernon
Mt. Vernon, Indiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Mt. Vernon (Authority), Indiana, as of and for the year ended December 31, 2020, 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 22, 2021.

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 22, 2021

**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 of 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, 2020. 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, 2020.

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 22, 2021

INDEPENDENT AUDITORS REPORT ON APPLYING AGREED-UPON PROCEDURES

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

I have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the City of Mt. Vernon and the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

I compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of my agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the chart below.

I was engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by the Authority as of and for the year ended December 31, 2020 and have issued my report thereon dated June 22, 2021. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, my opinion on the fair presentation of the Financial Data Schedule (FDS) dated June 22, 2021, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the reporting package required by Uniform Guidance, which includes the auditor's reports, is available in its entirety from the Authority. I have not performed any additional procedures since the date of the aforementioned audit reports. Further, I take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of the Authority and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Audit Solutions, LLC

Chesterfield, Missouri
June 22, 2021

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

AGREED UPON PROCEDURES

December 31, 2020

Procedure	UFRS Rule Information	Hard Copy Document(s)	Agrees
1	Balance Sheet and Revenue and Expense (data line items 111 to 1121)	Financial Data Schedule, all CFDA's	√
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	√
3	Type of opinion to FDS (data element G5100-010)	Auditor's supplemental report on FDS	√
4	Audit findings narratives (data element G5200-010)	Schedule of Findings and Questioned costs	√
5	General Information (data element series G2000, G2100, G2200, G2300, G90000, G9100)	OMB Data Collection Form	√
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	√
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	√
8	Type of compliance requirement (G4000-020 & G4000-030)	OMB Data Collection Form	√
9	Basic financial statements and auditors' reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	√

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2020

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	
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, 2020 disclosed no Financial Statement audit finding.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended December 31, 2020 disclosed no Federal Awards audit finding and questioned costs.