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June 2, 2014

Board of Directors
Sullivan Housing Authority
200 N. Court
Sullivan, IN 47882

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period April 1, 2010 to March 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Sullivan Housing Authority, as of March 31, 2011 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

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

TWELVE MONTHS ENDED MARCH 31, 2011

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

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Board of Directors
Sullivan Housing Authority
Sullivan, Indiana

I have audited the accompanying financial statements of the Sullivan Housing Authority, as of and for the year ended March 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Sullivan Housing Authority's management. My responsibility is to express opinions 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 of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Sullivan Housing Authority, as of March 31, 2011 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

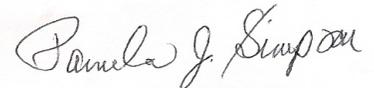
In accordance with *Government Auditing Standards*, I have also issued my report dated November 8, 2011 on my consideration of the Sullivan Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements with 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* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 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 on 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 systems. I do not express an opinion or provide any assurance on the information because the limited procedure do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sullivan Housing Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Sullivan Housing Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents has been subjected to the auditing procedures and certain other additional procedures in accordance with auditing standards generally accepted in the United States of America . In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sullivan Housing Authority's basic financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on it.

Decatur, Illinois
November 8, 2011



Certified Public Accountant

**SULLIVAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2011**

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Management's Discussion and Analysis

As management of the Sullivan Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended March 31, 2011. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Sullivan Housing Authority, 200 North Court, Sullivan, Indiana, (812) 268-4600.

Overview of the Financial Statements

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

- Statement of Net Assets – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Net Assets reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities.

Future Events (New Business)

There are no future events planned by the Authority during the fiscal year ending March 31, 2012 that will significantly affect the Authority's Net Assets either positively or negatively.

**SULLIVAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2011**

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Assets

Total Assets for FYE 2010 was \$8,659,582 and at FYE 2011 the amount was \$8,345,049. This represents a net decrease of \$314,533.

Cash decreased by \$125,971 or 81% due to negative cash flows from operations.

Other Current Assets increased by \$5,719. The increase was related to the increase in receivables.

Capital Assets decreased by \$194,281. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased by \$2,249 or 10%, due to increase in PILOT.

The table below illustrates our analysis:

	<u>2011</u>	<u>2010</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash	29,900	155,871	(125,971)	-81%
Other Current Assets	562,837	557,118	5,719	1%
Capital Assets	7,752,312	7,946,593	(194,281)	-2%
Total Assets	8,345,049	8,659,582	(314,533)	-4%
Current Liabilities	134,741	132,492	2,249	2%
Noncurrent Liabilities	0	0	0	0%
Total Liabilities	134,741	132,492	2,249	2%
Net Invested in Capital Assets	7,752,312	7,946,593	(194,281)	-2%
Restricted Net Assets	0	0	0	0%
Unrestricted Net Assets	457,996	580,497	(122,501)	-21%
Total Net Assets	8,210,308	8,527,090	(316,782)	-4%

**SULLIVAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2011**

Analysis of Entity Wide Revenues

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending March 31, 2011 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$1,113,202
Voucher	\$4
Capital Fund Program	\$190,972
A.R.R.A. Formula Capital Fund Stimulus Grant	\$150,969

Total Revenues for Fiscal Year Ending March 31, 2010 were \$1,706,615 as compared to the total revenues for Fiscal Year Ending March 31, 2011 of \$1,455,147. Comparatively, Fiscal Year Ending 2010 revenues exceeded Fiscal Year Ending 2011 revenues by \$251,468.

Total Tenant Revenue increased by \$47,154 or 8% due to higher occupancy.

HUD Operating Grants decreased by \$114,133 or 20% due to decreased subsidy in the Public Housing Program.

HUD Capital Grants decreased by \$175,827 or 38%.

Investment Income decreased by \$6,399 or 45% due to a decrease in interest rates.

Other Revenue decreased by \$670 or 3% due to revenues earned from charges to tenants for maintenance, lock-outs, pets, damages and late rent.

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>Percentage Change</u>
Total Tenant Revenue	680,075	632,921	47,154	8%
HUD Operating Grants	453,634	567,767	(114,133)	-20%
HUD Capital Grants	291,303	467,130	(175,827)	-38%
Investment Income	7,946	14,345	(6,399)	-45%
Other Revenue	22,189	22,859	(670)	-3%
Gain or Loss on Capital Assets	0	1,593	(1,593)	-100%
Total Revenue	<u>1,455,147</u>	<u>1,706,615</u>	<u>(251,468)</u>	<u>-15%</u>

**SULLIVAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2011**

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending March 31, 2010 were \$1,748,300 as compared to \$1,771,871 of total expenditures for Fiscal Year Ending March 31, 2011. Comparatively, Fiscal Year Ending 2011 expenditures exceeded Fiscal Year Ending 2010 expenditures by \$23,571. Changes by major expense category will be presented below.

Administrative expenditures increased by \$20,261 or 6%. The increase was due to increases in salaries, health insurance and related benefits.

Tenant Services expenditures decreased by \$84 or 2%, due to a decrease in services.

Utilities decreased by \$5,012 or 2%. The decrease was due to normal usage.

Maintenance expenditures decreased by \$5,315 or 1% due to decreases in salaries.

General Expenses increased by \$22,272 or 20% due to increases in compensated absences.

The table below illustrates our analysis:

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>Percentage Change</u>
Administrative	332,772	312,511	20,261	7%
Tenant Services	3,964	4,048	(84)	-2%
Utilities	229,283	234,295	(5,012)	-2%
Maintenance	514,249	519,564	(5,315)	-1%
General Expense	129,496	107,224	22,272	21%
Depreciation Expense	562,107	570,658	(8,551)	-2%
Total Expenses	<u>1,771,871</u>	<u>1,748,300</u>	<u>23,571</u>	<u>1%</u>

**SULLIVAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2011**

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Analysis of Capital Asset Activity and Related Financing

Buildings increased by a net amount \$969,212.

Furniture, Equipment & Machinery – Administrative increased by a net amount \$44,349 or 19%.

Accumulated Depreciation increased by \$502,307 or 5%. This is the amount of current year depreciation expense combined with disposals.

	2011	2010	Net Change	Percentage Change
Land	131,925	131,925	0	0%
Buildings	16,094,882	15,125,670	969,212	6%
Furniture, Equipment, & Machinery - Dwelling	138,909	138,909	0	0%
Furniture, Equipment, & Machinery - Administrative	270,089	225,740	44,349	20%
Leasehold Improvements	291,414	291,414	0	0%
Construction in Process	126,039	831,574	-705,535	-85%
Total Fixed Assets	17,053,258	16,745,232	308,026	2%
Accumulated Depreciation	9,300,946	8,798,639	502,307	6%
Net Fixed Assets	7,752,312	7,946,593	-194,281	-2%

Most increases were related to the expenditure of capital funds in the current year.

Outstanding Debt

The Housing Authority did not borrow any funds in the current year and had no outstanding debt at March 31, 2011 or March 31, 2010.

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF MARCH 31, 2011**

ASSETS

CURRENT ASSETS

Cash	\$ 29,900
Accounts receivable (interfund eliminated)	15,711
Investments	505,607
Inventory	1,550
Deferred charges	<u>39,969</u>

Total Current Assets \$ 592,737

CAPITAL ASSETS

Land, buildings and equipment	\$ 17,053,258
Less: Accumulated depreciation	<u>-9,300,946</u>

Net Capital Assets \$ 7,752,312

Total Assets \$ 8,345,049

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 32,346
Accrued liabilities	82,316
Deferred revenues	<u>20,079</u>

Total Current Liabilities \$ 134,741

NET ASSETS

Invested in capital assets	\$ 7,752,312
Unrestricted	<u>457,996</u>

Total Net Assets \$ 8,210,308

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2011**

Operating Income

Tenant rental revenue	\$ 680,039
Tenant revenue - other	<u>36</u>
Total Rental Income	\$ 680,075
HUD grants - operating	453,634
Other revenue	<u>22,189</u>
Total Operating Income	<u>\$ 1,155,898</u>

Operating Expenses

Administration	\$ 332,772
Tenant services	3,964
Utilities	229,283
Ordinary maintenance and operation	514,249
General expense	129,496
Depreciation	<u>562,107</u>
Total Operating Expenses	<u>\$ 1,771,871</u>
Net Operating Income (Loss)	\$ -615,973

Nonoperating Income (Expense)

Interest income	7,946
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Capital Contributions

Capital funds grant	<u>291,303</u>
Changes in net assets	\$ -316,724
Net assets, beginning of year	8,527,090
Prior period adjustments	<u>-58</u>
Net assets, end of year	<u>\$ 8,210,308</u>

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2011**

Operating Activities

Operating grants	\$ 440,920
Tenant revenue	682,241
Other revenue	22,189
Payments to employees	-380,416
Payments to suppliers and contractors	<u>-829,592</u>

Net Cash Provided (Used) by Operating Activities	<u>\$ -64,658</u>
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Investing Activities

Investments (purchased) redeemed	\$ 5,998
Interest income	<u>9,212</u>

Net Cash Provided (Used) by Investing Activities	<u>\$ 15,210</u>
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Capital and Related Financing Activities

HUD grants - capital	\$ 291,303
(Additions) deletions to fixed assets	<u>-367,826</u>

Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -76,523</u>
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Net Change in Cash \$ -125,971

Cash Balance at March 31, 2010 155,871

Cash Balance at March 31, 2011 \$ 29,900

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2011**

Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities

Net operating income (loss)	\$ -615,973
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	562,107
Adjustment to net assets	-58
(Increase) decrease in accounts receivable	-12,740
(Increase) decrease in deferred charges	-243
Increase (decrease) in accounts payable	-3,571
Increase (decrease) in accrued liabilities	7,004
Increase (decrease) in deferred revenues	<u>-1,184</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -64,658</u>

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

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2011**

Note 1 - Summary of Significant Accounting Policies

(a) Organization -

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

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

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Sullivan and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the Mayor, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Sullivan Housing Authority is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

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

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

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, in financial statement preparation the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) Funds -

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

- * Low Rent Public Housing
- * Section 8 Choice Vouchers
- * Capital Fund Program
- * A.R.R.A. - Formula Capital Stimulus Grant

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at March 31, 2011, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(g) Inventories and Materials -

Inventories and materials are stated at cost which approximates market determined on a first-in, first-out basis.

(h) Investments -

Investments are stated at cost which approximates market.

(i) Fixed Assets -

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

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

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

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

Buildings	20 - 40 years
Equipment	3 - 10 years

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(k) Income Tax -

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

(l) Annual Contributions/Subsidies and Other Grants

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

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

(m)The Housing Authority adopts a budget annually. The budget is presented to the Board of Commissioners for approval annually.

(n)The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (o) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disables residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.
- (p) Rental income is recognized as rents become due.
- (q) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

Note 2 - Cash and Investments

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

All cash and investments are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

Custodial Credit Risk

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

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

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

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

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

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	<u>\$ 29,900</u>	<u>\$ 97,491</u>

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.

Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	<u>\$ 505,607</u>	<u>\$ 505,607</u>

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
(CONTINUED)**

Note 3 - Compensated Absences

Personal Leave

Permanent full-time employees will be granted two personal leave days per fiscal year.

Personal leave days shall be taken in the fiscal year earned (April 1 through March 31) or they are lost. Personal leave days are not accumulated from year to year, therefore no liability has been recorded.

Sick Leave

Permanent full-time employees will be granted twelve sick days per fiscal year.

Sick days may accumulate to sixty days. Employees shall not receive compensation for unused sick leave on termination of employment with the Sullivan Housing Authority, therefore no liability is recorded.

Vacation Days

Permanent full-time employee is entitled to 80 hours (10 work days) vacation after (12) continuous calendar months of work. (1st to 5th year of continuous service: 40 hour employees). After 5 years of continuous service a permanent full-time employee is eligible for 120 hours (15 work days) vacation per year. The beginning date for calculating each year's authorized vacation is the employee's anniversary date. No permanent full-time employee shall be eligible for vacation until after six (6) months of continuous employment.

Vacation must be taken the year following the year it is accrued. Upon termination of employment an employee shall be compensated for the unused portion of the earned vacation which the employee is eligible to use and earned vacation in the year of termination which has not been used.

Note 4 - Defined Contribution Plan

The PHA participates in a defined contribution plan administered by American Funds. The Housing Authority and the participants are required to contribute 7.5% and 5.5% of annual covered payroll, respectively. For the fiscal year ended March 31, 2011, the Housing Authority contributed \$40,624. Total annual related payroll expense was \$382,207.

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - HUD	\$ 15,061
Accounts receivable - miscellaneous	102
Tenants accounts receivable (net)	<u>548</u>
Total	<u>\$ 15,711</u>

Note 6 - Investments

At March 31, 2011 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	.60%	<u>\$ 505,607</u>	<u>\$ 505,607</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 28,628
Other	<u>11,341</u>
Total	<u>\$ 39,969</u>

Note 8 - Fixed Assets

Balance as of March 31, 2011	\$ 7,752,312
Balance as of March 31, 2010	<u>7,946,593</u>
Net Increase (Decrease)	<u>\$ -194,281</u>

Reconciliation

Additions	\$ 367,826
Current year depreciation expense	<u>-562,107</u> *
Net Increase (Decrease)	<u>\$ -194,281</u>

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
(CONTINUED)**

Note 8 - Fixed Assets (Continued)

<u>Analysis</u>	04/01/2010 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	03/31/2011 <u>Balance</u>
Land	\$ 131,925	\$ 0	\$ 0	\$ 131,925
Buildings	15,125,670	962,212	0	16,094,882
Equipment and furniture	364,649	104,149	59,800	408,998
Leasehold improvements	291,414	0	0	291,414
Construction in progress	<u>831,574</u>	<u>0</u>	<u>705,535</u>	<u>126,039</u>
Subtotal	\$ 16,745,232	\$ 1,073,361	\$ 765,335	\$ 17,053,258
Accumulated depreciation	<u>-8,798,639</u>	<u>59,800</u>	<u>562,107</u>	<u>* -9,300,946</u>
Total	<u>\$ 7,946,593</u>	<u>\$ 1,133,161</u>	<u>\$ 1,327,442</u>	<u>\$ 7,752,312</u>

*Current year depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 2,446
Tenants security deposits	<u>29,900</u>
Total	<u>\$ 32,346</u>

Note 10 - Notes Payable

On August 4, 1987, the U.S. Department of Housing and Urban Development (HUD) issued notice PIH 87-212 to implement the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (PL 99-272, enacted April 7, 1986). This notice states, in part, the following:

Project debt to HUD (HUD-held notes) will be forgiven after a debt forgiveness amendment to the consolidated Annual Contributions Contract has been executed by HUD and the Public Housing Authority and after the Actual Development Cost Certificate has been included in an audit and approved.

As a part of the HUD mandated GAAP conversion and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
(CONTINUED)**

Note 11 - Accrued Liabilities

Accrued liabilities at March 31, 2011 consists of the following:

Current Portion:

Accrued compensated absences	\$ 24,174
Accrued payroll/payroll taxes	13,066
Payment in lieu of taxes	<u>45,076</u>
 Total	 <u>\$ 82,316</u>

Note 12 - Deferred Revenues

This classification consists of the following accounts:

Tenants prepaid rent	\$ 1,332
Other - deferred grant income	<u>18,747</u>
 Total	 <u>\$ 20,079</u>

Note 13 - Allocation of Costs

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

Note 14 - Contingencies

Federal Grants

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

Note 15 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Void prior period outstanding check	<u>\$ -58</u>
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**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2011
(CONTINUED)**

Note 16 - Contracts/Commitments

As of September 30, 2011, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-09	\$ 363,095	\$ 97,373
CFP 501-10	<u>360,331</u>	<u>105,571</u>
Total	<u>\$ 723,426</u>	<u>\$ 202,944</u>

Note 17 - Risk Management

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

The Housing Authority also participates in a public entity risk pool (Housing Authority Risk Retention Group) for general liability coverage. For insured programs there has been no significant reduction in insurance coverages or the risk pool coverage in the current or past three years.

Note 18 - Economic Dependency

The Housing Authority received most of its revenue (51%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

Note 19 - Subsequent Events

As of April 1, 2011 the PHA will no longer administer the Housing Choice Voucher Program. The PHA will be closing the program and transferring out all reserves related to the program.

SUPPLEMENTAL DATA

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE TWELVE MONTHS ENDED MARCH 31, 2011**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing*	14.850a	C-940	FYE 03/31/11	\$ 402,996	\$ 402,996	\$ 402,996
Public Housing - Capital Fund Program	14.872	C-940	FYE 03/31/11	\$ 1,086,946	\$ 190,972	\$ 190,972
A.R.R.A. - Formula Capital Fund Stimulus Grant	14.885	C-940	FYE 03/31/11	\$ 460,144	\$ 150,969	\$ 150,969
Total Housing Assistance				<u>\$ 1,950,086</u>	<u>\$ 744,937</u>	<u>\$ 744,937</u>

*Denotes major program.

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P034501-08**

1. The Actual Modernization Costs of PhaseIN36P034501-08 are as follows:

Funds approved	\$ 363,520
Funds expended	<u>363,520</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 363,520
Funds expended	<u>363,520</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated May 12, 2010, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36S034501-09**

1. The Actual Modernization Costs of PhaseIN36S034501-09 are as follows:

Funds approved	\$	460,144
Funds expended		<u>460,144</u>
Excess of Funds Approved	\$	<u> 0</u>
Funds advanced		
Grants	\$	460,144
Funds expended		<u>460,144</u>
Excess of Funds Advanced	\$	<u> 0</u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated July 12, 2010, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**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
Sullivan Housing Authority
Sullivan, Indiana

I have audited the financial statements of Sullivan Housing Authority as of and for the year ended June 30, 2011, and have issued my report thereon dated November 8, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 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.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sullivan Housing Authority's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of Sullivan Housing Authority in a separate letter dated November 8, 2011.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and Department of Housing and Urban Development and other Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois
November 8, 2011



Certified Public Accountant



**Independent Auditor's Report on Compliance With Requirements That Could Have a
Direct and Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133**

Board of Commissioners
Sullivan Housing Authority
Sullivan, Indiana

Compliance

I have audited Sullivan Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sullivan Housing Authority's major federal programs for the year ended March 31, 2011. Sullivan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Sullivan Housing Authority's management. My responsibility is to express an opinion on Sullivan Housing Authority's compliance based on my audit.

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

In my opinion, Sullivan Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2011. However, the results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

Management of Sullivan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Sullivan Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Sullivan Housing 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.

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 deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be *material weaknesses*, as defined above.

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



Certified Public Accountant

Decatur, Illinois
November 8, 2011

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended March 31, 2010 contained no findings.

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED MARCH 31, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report:

Unqualified

* Material weakness(es) identified?

_____ yes X no

* Significant deficiency (ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified?

_____ yes X no

* Significant deficiency (ies) identified?

_____ yes X none reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

_____ yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.850a

Public and Indian Housing

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X yes _____ no

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

FINDINGS, RECOMMENDATIONS AND REPLIES

Section II - Financial Statement Findings

There were no audit findings discussed with Donald Hunt, Executive Director or Carol Rhoades, accountant, during the course of the audit or at an exit conference held November 8, 2011.

Section II - Federal Award Findings

There were no audit findings discussed with Donald Hunt, Executive Director or Carol Rhoades, accountant, during the course of the audit or at an exit conference held November 8, 2011.

**SULLIVAN HOUSING AUTHORITY
SULLIVAN, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
MARCH 31, 2011**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Prepaid insurance	1211	\$ 3,895.64		1211
Property	4510.01	13,112.27		2810.512
Workers' compensation	4510.02	2,228.19		2810.512
Insurance	4510		\$ 19,236.10	2810.512
(To reclassify insurance accounts)				
(2)				
Employee benefits - admin	4182		\$ 3,505.65	2810.512
Health insurance withholding	2117.05	\$ 8,367.97		2117.05
Employee benefits - main	4433		4,862.32	2810.512
(To clear health insurance withholding liability)				
(3)				
Admin wages	4110		\$ 8,714.01	2810.512
Comp abs exp - admin	4181	\$ 8,714.01		2810.512
Maintenance labor	4410		10,726.54	2810.512
Comp abs exp - main	4432	10,726.54		2810.512
(To reclassify amount earned for compensated absence expense in current year)				
(4)				
Accumulated depreciation	1400.05	\$ 18,900.00		1400.05
Automotive equipment	1475.07		\$ 18,900.00	1475.07
(To post prior year audit adjustment)				
(5)				
Accumulated depreciation	1400.05	\$ 71,676.14		1400.05
Depreciation expense	4800		\$ 71,676.14	2810.512
(To adjust accumulated depreciation at 03/31/2011)				
(6)				
Automotive equipment	1475.07		\$ 13,766.67	1475.07
Accumulated depreciation	1400.05	\$ 13,766.67		1400.05
(To remove 2006 Mercury from depreciation schedule, traded on 2010 Mercury)				

Sullivan Housing Authority (IN034)

SULLIVAN, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2011

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted					
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits	\$29,900			\$29,900	\$29,900
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$29,900	\$0	\$0	\$29,900	\$29,900
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$15,061			\$15,061	\$15,061
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous	\$102			\$102	\$102
126 Accounts Receivable - Tenants	\$548			\$548	\$548
126.1 Allowance for Doubtful Accounts - Tenants	\$0			\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$15,711	\$0	\$0	\$15,711	\$15,711
131 Investments - Unrestricted	\$505,607			\$505,607	\$505,607
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$39,969			\$39,969	\$39,969
143 Inventories	\$1,550			\$1,550	\$1,550
143.1 Allowance for Obsolete Inventories	\$0			\$0	\$0
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$592,737	\$0	\$0	\$592,737	\$592,737
161 Land	\$131,925			\$131,925	\$131,925
162 Buildings	\$16,094,882			\$16,094,882	\$16,094,882
163 Furniture, Equipment & Machinery - Dwellings	\$138,909			\$138,909	\$138,909
164 Furniture, Equipment & Machinery - Administration	\$270,089			\$270,089	\$270,089
165 Leasehold Improvements	\$291,414			\$291,414	\$291,414
166 Accumulated Depreciation	-\$9,300,946			-\$9,300,946	-\$9,300,946
167 Construction in Progress	\$126,039			\$126,039	\$126,039
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$7,752,312	\$0	\$0	\$7,752,312	\$7,752,312
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					
173 Grants Receivable - Non Current					
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$7,752,312	\$0	\$0	\$7,752,312	\$7,752,312
190 Total Assets	\$8,345,049	\$0	\$0	\$8,345,049	\$8,345,049

Sullivan Housing Authority (IN034)

SULLIVAN, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2011

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	Subtotal	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$2,446			\$2,446	\$2,446
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$13,066			\$13,066	\$13,066
322 Accrued Compensated Absences - Current Portion	\$24,174			\$24,174	\$24,174
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$45,076			\$45,076	\$45,076
341 Tenant Security Deposits	\$29,900			\$29,900	\$29,900
342 Deferred Revenues	\$20,079			\$20,079	\$20,079
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					
347 Inter Program - Due To					
348 Loan Liability - Current					
310 Total Current Liabilities	\$134,741	\$0	\$0	\$134,741	\$134,741
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current					
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$134,741	\$0	\$0	\$134,741	\$134,741
508.1 Invested In Capital Assets, Net of Related Debt	\$7,752,312			\$7,752,312	\$7,752,312
509.2 Fund Balance Reserved					
511.2 Unreserved, Designated Fund Balance					
511.1 Restricted Net Assets					
512.1 Unrestricted Net Assets	\$457,996	\$0	\$0	\$457,996	\$457,996
512.2 Unreserved, Undesignated Fund Balance					
513 Total Equity/Net Assets	\$8,210,308	\$0	\$0	\$8,210,308	\$8,210,308
600 Total Liabilities and Equity/Net Assets	\$8,345,049	\$0	\$0	\$8,345,049	\$8,345,049

Sullivan Housing Authority (IN034)
SULLIVAN, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2011

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$680,039			\$680,039	\$680,039
70400 Tenant Revenue - Other	\$36			\$36	\$36
70500 Total Tenant Revenue	\$680,075	\$0	\$0	\$680,075	\$680,075
70600 HUD PHA Operating Grants	\$451,815	\$1,819		\$453,634	\$453,634
70610 Capital Grants	\$142,153	\$149,150		\$291,303	\$291,303
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue					
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$7,942		\$4	\$7,946	\$7,946
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$22,189			\$22,189	\$22,189
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$1,304,174	\$150,969	\$4	\$1,455,147	\$1,455,147
91100 Administrative Salaries	\$187,598			\$187,598	\$187,598
91200 Auditing Fees	\$9,330			\$9,330	\$9,330
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing	\$7,027			\$7,027	\$7,027
91500 Employee Benefit contributions - Administrative	\$82,073			\$82,073	\$82,073
91600 Office Expenses	\$21,557			\$21,557	\$21,557
91700 Legal Expense	\$100			\$100	\$100
91800 Travel	\$225			\$225	\$225
91810 Allocated Overhead					
91900 Other	\$24,862			\$24,862	\$24,862
91000 Total Operating - Administrative	\$332,772	\$0	\$0	\$332,772	\$332,772
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$3,964			\$3,964	\$3,964
92500 Total Tenant Services	\$3,964	\$0	\$0	\$3,964	\$3,964

Sullivan Housing Authority (IN034)
SULLIVAN, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2011

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	Subtotal	Total
93100 Water	\$31,232			\$31,232	\$31,232
93200 Electricity	\$121,247			\$121,247	\$121,247
93300 Gas	\$11,426			\$11,426	\$11,426
93400 Fuel	\$530			\$530	\$530
93500 Labor					
93600 Sewer	\$47,910			\$47,910	\$47,910
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense	\$16,938			\$16,938	\$16,938
93000 Total Utilities	\$229,283	\$0	\$0	\$229,283	\$229,283
94100 Ordinary Maintenance and Operations - Labor	\$175,097			\$175,097	\$175,097
94200 Ordinary Maintenance and Operations - Materials and Other	\$59,424			\$59,424	\$59,424
94300 Ordinary Maintenance and Operations Contracts	\$180,348	\$1,819		\$182,167	\$182,167
94500 Employee Benefit Contributions - Ordinary Maintenance	\$97,561			\$97,561	\$97,561
94000 Total Maintenance	\$512,430	\$1,819	\$0	\$514,249	\$514,249
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$41,920			\$41,920	\$41,920
96120 Liability Insurance					
96130 Workmen's Compensation	\$4,633			\$4,633	\$4,633
96140 All Other Insurance	\$18,355			\$18,355	\$18,355
96100 Total Insurance Premiums	\$64,908	\$0	\$0	\$64,908	\$64,908
96200 Other General Expenses					
96210 Compensated Absences	\$19,512			\$19,512	\$19,512
96300 Payments in Lieu of Taxes	\$45,076			\$45,076	\$45,076
96400 Bad debt - Tenant Rents					
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$64,588	\$0	\$0	\$64,588	\$64,588
96710 Interest of Mortgage (or Bonds) Payable					
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,207,945	\$1,819	\$0	\$1,209,764	\$1,209,764
97000 Excess of Operating Revenue over Operating Expenses	\$96,229	\$149,150	\$4	\$245,383	\$245,383

Sullivan Housing Authority (IN034)
SULLIVAN, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2011

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	Subtotal	Total
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments					
97350 HAP Portability-In					
97400 Depreciation Expense	\$562,107			\$562,107	\$562,107
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$1,770,052	\$1,819	\$0	\$1,771,871	\$1,771,871
10010 Operating Transfer In					
10020 Operating transfer Out					
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$465,878	\$149,150	\$4	-\$316,724	-\$316,724
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$8,524,191	\$0	\$2,899	\$8,527,090	\$8,527,090
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$151,995	-\$149,150	-\$2,903	-\$58	-\$58
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity			\$0	\$0	\$0
11180 Housing Assistance Payments Equity			\$0	\$0	\$0
11190 Unit Months Available	3060		0	3060	3060
11210 Number of Unit Months Leased	2891		0	2891	2891
11270 Excess Cash	\$318,857			\$318,857	\$318,857
11610 Land Purchases	\$0			\$0	\$0
11620 Building Purchases	\$291,303			\$291,303	\$291,303
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0	\$0
11650 Leasehold Improvements Purchases	\$0			\$0	\$0
11660 Infrastructure Purchases	\$0			\$0	\$0
13510 CFFP Debt Service Payments	\$0			\$0	\$0
13901 Replacement Housing Factor Funds	\$0			\$0	\$0

Board of Commissioners
Sullivan Housing Authority
Sullivan, Indiana

In planning and performing my audit of the financial statements of Sullivan Housing Authority as of and for the year ended March 31, 2011, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sullivan Housing Authority 's internal control. Accordingly, I do not express an opinion on the effectiveness of Sullivan Housing Authority 's internal control.

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

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

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

1. The Housing Authority should track asset transactions in the general ledger as well as the detailed depreciation as they take place during the fiscal year. Additions, as well as disposals and trade-ins should be updated and identified in the general ledger and the depreciation schedule as the transaction takes place. At year end, the physical inventory of the equipment should then be reconciled to the depreciation schedule.
2. While reviewing the balance sheet at year, it came to my attention that the "Other Deferred Revenue" accounts - previously used to accumulate income/fees from cable and washer/dryer - are still on books, but not in use. The Housing Authority should review those accounts and absorb them into income.
3. While reviewing payroll liability accounts, it came to my attention that the withholding amounts from employees checks and the offsetting remittance of those amounts for health insurance premiums may not be posting properly in the correct withholding/expense accounts. The Housing Authority should reconcile accrued health insurance withholdings accounts monthly and adjust the automatic posting of the payroll.

4. While auditing Low Income Housing tenant files, it was noted that many of the residents had not provided birth certificates as required by the agency's Admissions and Continued Occupancy Policy (ACOP).
5. Also noted while auditing tenant files, the agency does not require new tenants electing flat rents (as opposed to income based rents) to provide documentation of their incomes or eligibility. Per the ACOP and HUD regulations this information is required prior to admission.

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



Certified Public Accountant

Decatur, Illinois
November 8, 2011