



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B43598

---

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](http://www.in.gov/sboa)

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, 2011 to March 31, 2012. 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, 2012 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, 2012**

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**TABLE OF CONTENTS**

Auditor's Report .....	1
Management's Discussion and Analysis .....	3
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Assets as of March 31, 2012 .....	8
Statement of Revenue, Expenditures and Changes in Net Assets - Proprietary Funds Twelve Months Ended March 31, 2012 .....	9
Statement of Cash Flows - Twelve Months Ended March 31, 2012 .....	10
Notes to Financial Statements .....	12
<b>SUPPLEMENTAL DATA</b>	
Schedule of Federal Financial Awards .....	24
Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	25
Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	27
Status of Prior Audit Findings .....	29
Schedule of Findings and Questioned Costs - Summary .....	30
Current Findings, Recommendations and Replies .....	31
Schedule of Adjusting Journal Entries .....	32
Financial Data Schedule - REAC Electronic Submission .....	33



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, 2012, 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, 2012 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 August 28, 2012 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 States 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.



Certified Public Accountant

Decatur, Illinois  
August 28, 2012

**SULLIVAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2012**

3

**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, 2012. 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, 2013 that will significantly affect the Authority's Net Assets either positively or negatively.

**SULLIVAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2012**

**Condensed Comparative Financial Statements**

*Analysis of Entity Wide Net Assets*

**Total Assets** for FYE 2012 was \$7,924,743 and at FYE 2011 the amount was \$8,345,049. This represents a net decrease of \$420,306.

**Cash** increased by \$7,471 or 25% due to redemption of some investments.

**Other Current Assets** decreased by \$37,961. The decrease was related to a decrease in the amount of investments.

**Capital Assets** decreased by \$389,816. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Current Liabilities** decreased by \$7,431 or 6%, due to no deferred revenues for HUD grants.

The table below illustrates our analysis:

	<u>2012</u>	<u>2011</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash	37,371	29,900	7,471	25%
Other Current Assets	524,876	562,837	(37,961)	-7%
Capital Assets	7,362,496	7,752,312	(389,816)	-5%
<b>Total Assets</b>	<b>7,924,743</b>	<b>8,345,049</b>	<b>(420,306)</b>	<b>-5%</b>
Current Liabilities	127,310	134,741	(7,431)	-6%
Noncurrent Liabilities	0	0	0	0%
<b>Total Liabilities</b>	<b>127,310</b>	<b>134,741</b>	<b>(7,431)</b>	<b>-6%</b>
Net Invested in Capital Assets	7,362,496	7,752,312	(389,816)	-5%
Restricted Net Assets	0	0	0	0%
Unrestricted Net Assets	434,937	457,996	(23,059)	-5%
<b>Total Net Assets</b>	<b>7,797,433</b>	<b>8,210,308</b>	<b>(412,875)</b>	<b>-5%</b>

**SULLIVAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2012**

*Analysis of Entity Wide Revenues*

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending March 31, 2012 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$1,089,799
Capital Fund Program	\$381,694

**Total Revenues** for Fiscal Year Ending March 31, 2012 were \$1,471,493 as compared to the total revenues for Fiscal Year Ending March 31, 2011 of \$1,455,147. Comparatively, Fiscal Year Ending 2012 revenues exceeded Fiscal Year Ending 2011 revenues by \$16,346.

**Total Tenant Revenue** decreased by \$785.

**HUD Operating Grants** decreased by \$53,892 or 12% due to decreased subsidy in the Public Housing Program.

**HUD Capital Grants** increased by \$54,677 or 19%.

**Investment Income** decreased by \$4,160 or 52% due to a decrease in interest rates.

**Other Revenue** increased by \$20,506 or 92% because of an increase in cable and laundry fees.

	<u>2012</u>	<u>2011</u>	<u>Variance</u>	<u>Percentage Change</u>
Total Tenant Revenue	679,290	680,075	(785)	0%
HUD Operating Grants	399,742	453,634	(53,892)	-12%
HUD Capital Grants	345,980	291,303	54,677	19%
Investment Income	3,786	7,946	(4,160)	-52%
Other Revenue	42,695	22,189	20,506	92%
<b>Total Revenue</b>	<b><u>1,471,493</u></b>	<b><u>1,455,147</u></b>	<b><u>16,346</u></b>	<b><u>1%</u></b>

**SULLIVAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2012**

***Analysis of Entity Wide Expenditures***

**Total Expenditures** for Fiscal Year Ending March 31, 2011 were \$1,780,422 as compared to \$1,884,574 of total expenditures for Fiscal Year Ending March 31, 2012. Comparatively, Fiscal Year Ending 2012 expenditures exceeded Fiscal Year Ending 2011 expenditures by \$104,152. Changes by major expense category will be presented below.

**Administrative** expenditures decreased by \$28,327 or 9%. The decrease was due to decreases in health insurance and related benefits.

**Tenant Services** expenditures decreased by \$1,264 or 32%, due to a decrease in services.

**Utilities** increased by \$3,092 or 1%. The increase was due to normal usage.

**Maintenance** expenditures decreased by \$38,896 or 8% due to decreases in contract costs.

**General Expenses** increased by \$2,224 or 2% due to increases in compensated absences.

The table below illustrates our analysis:

	<u>2012</u>	<u>2011</u>	<u>Variance</u>	<u>Percentage Change</u>
Administrative	304,445	332,772	(28,327)	-9%
Tenant Services	2,700	3,964	(1,264)	-32%
Utilities	232,375	229,283	3,092	1%
Maintenance	475,353	514,249	(38,896)	-8%
General Expense	131,720	129,496	2,224	2%
Depreciation Expense	736,000	570,658	165,342	29%
<b>Total Expenses</b>	<b><u>1,884,574</u></b>	<b><u>1,780,422</u></b>	<b><u>104,152</u></b>	<b><u>6%</u></b>

**SULLIVAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2012**

**Analysis of Capital Asset Activity and Related Financing**

**Furniture, Equipment & Machinery – Dwelling** increased by a net amount \$64,004 or 46%.

**Furniture, Equipment & Machinery – Administrative** decreased by a net amount \$64,007 or 24%.

**Accumulated Depreciation** increased by \$735,794 or 8%. This is the amount of current year depreciation expense combined with disposals.

	2012	2011	Net Change	Percentage Change
Land	131,925	131,925	0	0%
Buildings	16,094,882	16,094,882	0	0%
Furniture, Equipment, & Machinery - Dwelling	202,913	138,909	64,004	46%
Furniture, Equipment, & Machinery - Administrative	206,082	270,089	-64,007	-24%
Leasehold Improvements	291,414	291,414	0	0%
Construction in Process	472,020	126,039	345,981	275%
<b>Total Fixed Assets</b>	<b>17,399,236</b>	<b>17,053,258</b>	<b>345,978</b>	<b>2%</b>
Accumulated Depreciation	10,036,740	9,300,946	735,794	8%
<b>Net Fixed Assets</b>	<b>7,362,496</b>	<b>7,752,312</b>	<b>-389,816</b>	<b>-5%</b>

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, 2012.

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF MARCH 31, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 36,125
Accounts receivable (interfund eliminated)	13,380
Investments	469,623
Inventory	1,550
Deferred charges	<u>40,323</u>

Total Current Assets \$ 561,001

**RESTRICTED ASSETS**

Cash	<u>\$ 1,246</u>
------	-----------------

Total Restricted Assets \$ 1,246

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 17,399,236
Less: Accumulated depreciation	<u>-10,036,740</u>

Net Capital Assets \$ 7,362,496

Total Assets \$ 7,924,743

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable (interfund eliminated)	\$ 41,193
Accrued liabilities	84,871
Deferred revenues	<u>1,246</u>

Total Current Liabilities \$ 127,310

**NET ASSETS**

Invested in capital assets	\$ 7,362,496
Unrestricted	<u>434,937</u>

Total Net Assets \$ 7,797,433

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2012**

Operating Income

Tenant rental revenue	\$ 679,146
Tenant revenue - other	<u>144</u>
Total Rental Income	\$ 679,290
HUD grants - operating	399,742
Other revenue	<u>42,695</u>
Total Operating Income	<u>\$ 1,121,727</u>

Operating Expenses

Administration	\$ 304,445
Tenant services	2,700
Utilities	232,375
Ordinary maintenance and operation	475,353
General expense	131,720
Extraordinary maintenance	1,981
Depreciation	<u>736,000</u>
Total Operating Expenses	<u>\$ 1,884,574</u>
Net Operating Income (Loss)	\$ -762,847

Nonoperating Income (Expense)

Interest income	3,786
-----------------	-------

Capital Contributions

Capital funds grant	<u>345,980</u>
Changes in net assets	\$ -413,081
Net assets, beginning of year	8,210,308
Prior period adjustments	<u>206</u>
Net assets, end of year	<u>\$ 7,797,433</u>

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

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2012**

Operating Activities

Operating grants	\$ 401,988
Tenant revenue	679,273
Other revenue	42,695
Payments to employees	-388,446
Payments to suppliers and contractors	<u>-767,809</u>

Net Cash Provided (Used) by Operating Activities	<u>\$ -32,299</u>
---	-------------------

Investing Activities

Investments (purchased) redeemed	\$ 35,984
Interest income	<u>3,786</u>

Net Cash Provided (Used) by Investing Activities	<u>\$ 39,770</u>
---	------------------

Capital and Related Financing Activities

HUD grants - capital	\$ 345,980
(Additions) deletions to fixed assets	<u>-345,980</u>

Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 0</u>
---	-------------

Net Change in Cash	\$ 7,471
--------------------	----------

Cash Balance at March 31, 2011	<u>29,900</u>
--------------------------------	---------------

Cash Balance at March 31, 2012	<u><u>\$ 37,371</u></u>
--------------------------------	-------------------------

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2012**

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

Net operating income (loss)	\$ -762,847
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	736,000
(Increase) decrease in accounts receivable	2,332
(Increase) decrease in deferred charges	-354
Increase (decrease) in accounts payable	8,847
Increase (decrease) in accrued liabilities	2,555
Increase (decrease) in deferred revenues	<u>-18,832</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ -32,299</u></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, 2012**

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, 2012  
(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
- \* Capital Fund Program

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, 2012  
(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, 2012, 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, 2012  
(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, 2012  
(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 disabled 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, 2012  
(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>37,371</u>	\$ <u>74,699</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>469,623</u>	\$ <u>469,623</u>

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2012  
(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, 2012, the Housing Authority contributed \$41,279. Total annual related payroll expense was \$378,216.

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2012  
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - HUD	\$ 12,815
Tenants accounts receivable	<u>565</u>
Total	<u>\$ 13,380</u>

Note 6 - Investments

At March 31, 2012 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	.53-.74%	<u>\$ 469,623</u>	<u>\$ 469,623</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 28,515
Other	<u>11,808</u>
Total	<u>\$ 40,323</u>

Note 8 - Fixed Assets

Balance as of March 31, 2012	\$ 7,362,496
Balance as of March 31, 2011	<u>7,752,312</u>
Net Increase (Decrease)	<u>\$ -389,816</u>

Reconciliation

Additions	\$ 345,980
Prior adjustments to accumulated depreciation/cost	204
Current year depreciation expense	<u>-736,000</u> *
Net Increase (Decrease)	<u>\$ -389,816</u>

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2012  
(CONTINUED)**

Note 8 - Fixed Assets (Continued)

<u>Analysis</u>	04/01/2011 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	03/31/2012 <u>Balance</u>
Land	\$ 131,925	\$ 0	\$ 0	\$ 131,925
Buildings	16,094,882	0	0	16,094,882
Equipment and furniture	408,998	0	3	408,995
Leasehold improvements	291,414	0	0	291,414
Construction in progress	<u>126,039</u>	<u>345,981</u>	<u>0</u>	<u>472,020</u>
Subtotal	\$ 17,053,258	\$ 345,981	\$ 3	\$ 17,399,236
Accumulated depreciation	<u>-9,300,946</u>	<u>-736,000</u> *	<u>-206</u>	<u>-10,036,740</u>
Total	<u>\$ 7,752,312</u>	<u>\$ -390,019</u>	<u>\$ -203</u>	<u>\$ 7,362,496</u>

\*Current year depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 5,668
Tenants security deposits	<u>35,525</u>
Total	<u>\$ 41,193</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, 2012  
(CONTINUED)**

Note 11 - Accrued Liabilities

Accrued liabilities at March 31, 2012 consists of the following:

Current Portion:

Accrued compensated absences	\$ 19,177
Accrued payroll/payroll taxes	21,006
Payment in lieu of taxes	<u>44,688</u>
 Total	 <u>\$ 84,871</u>

Note 12 - Deferred Revenues

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 1,246</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:

Adjustment to accumulated depreciation	<u>\$ 206</u>
--	---------------

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2012  
(CONTINUED)**

Note 16 - Contracts/Commitments

As of September 30, 2012, 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	\$ 328,841
CFP 501-10	360,331	222,178
CFP 501-11	<u>324,665</u>	<u>33,619</u>
Total	<u>\$ 1,048,091</u>	<u>\$ 584,638</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.

## **SUPPLEMENTAL DATA**

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE TWELVE MONTHS ENDED MARCH 31, 2012**

<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 03/31/12	\$ 364,028	\$ 364,028	\$ 364,028
Public Housing - Capital Fund Program	14.872	C-940	FYE 03/31/12	\$ 1,048,091	\$ 381,694	\$ 381,694
Total Housing Assistance				<u>\$ 1,412,119</u>	<u>\$ 745,722</u>	<u>\$ 745,722</u>

\*Denotes major program.



**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 March 31, 2012, and have issued my report thereon dated August 28, 2012. 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 August 28, 2012.

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.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois  
August 28, 2012

**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, 2012. 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, 2012. 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  
August 28, 2012

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended March 31, 2011 contained no findings.

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED MARCH 31, 2012**

**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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.850a 14.872	Public and Indian Housing Capital Fund Program

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, during the course of the audit or at an exit conference held August 28, 2012.

**Section II - Federal Award Findings**

There were no audit findings discussed with Donald Hunt, Executive Director, during the course of the audit or at an exit conference held August 28, 2012.

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2012**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Other sundry	4190	\$ 10.00		2810.512
General fund - cash	1111.03		\$ 10.00	1111.03
(To record service charge paid on 03/31/12 from account #6961436)				
(2)				
A/R - tenants	1122	\$ 564.80		1122
Tenant prepaid rents	2240.01	2,903.38		2240
Tenants security deposits	2114	600.00		2114
Other income	3690		\$ 4,068.18	2810.512
(To adjust receivable accounts for accounts written off @ 03/31/12 and not removed from DSO)				
(3)				
Vendor payable	2111		\$ 3,932.01	2111
Contract costs	4430	\$ 3,932.01		2810.512
(To set up March bill paid in April per search for unrecorded liabilities)				
(4)				
Admin salaries	4110		\$ 12,866.53	2810.512
Comp abs exp - admin	4181	\$ 12,866.53		2810.512
Maintenance labor	4410		12,573.17	2810.512
Comp abs exp - main	4432	12,573.17		2810.512
(To set up earned portion of compensated absence expense)				
(5)				
Automotive equipment	1475.07	\$ 233.33		1475.07
Depreciation expense	4800	46.67		2802.508
Accumulated depreciation	1400.05		\$ 73.88	1400.05
Invested in capital assets	2802.508		206.12	2810.508
(To record additional cost and expense on the value of the 2010 Mercury; vehicle should have basis adjusted for boot received on 2006 Mercury traded in with a basis @ 03/31/11)				
(6)				
Investments	1162	\$ 890.45		1162
Interest revenue	3610		\$ 890.45	2810.512
(To add interest paid by year to CD's)				

## Sullivan Housing Authority (IN034)

SULLIVAN, IN

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	Subtotal	Total
111 Cash - Unrestricted			
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted			
114 Cash - Tenant Security Deposits	\$36,125	\$36,125	\$36,125
115 Cash - Restricted for Payment of Current Liabilities	\$1,246	\$1,246	\$1,246
100 Total Cash	\$37,371	\$37,371	\$37,371
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects	\$12,815	\$12,815	\$12,815
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants	\$565	\$565	\$565
126.1 Allowance for Doubtful Accounts -Tenants	\$0	\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$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	\$13,380	\$13,380	\$13,380
131 Investments - Unrestricted	\$469,623	\$469,623	\$469,623
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets	\$40,323	\$40,323	\$40,323
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	\$562,247	\$562,247	\$562,247
161 Land	\$131,925	\$131,925	\$131,925
162 Buildings	\$16,094,882	\$16,094,882	\$16,094,882
163 Furniture, Equipment & Machinery - Dwellings	\$202,913	\$202,913	\$202,913
164 Furniture, Equipment & Machinery - Administration	\$206,082	\$206,082	\$206,082
165 Leasehold Improvements	\$291,414	\$291,414	\$291,414
166 Accumulated Depreciation	-\$10,036,740	-\$10,036,740	-\$10,036,740
167 Construction in Progress	\$472,020	\$472,020	\$472,020
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$7,362,496	\$7,362,496	\$7,362,496
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	\$7,362,496	\$7,362,496	\$7,362,496
190 Total Assets	\$7,924,743	\$7,924,743	\$7,924,743

## Sullivan Housing Authority (IN034)

SULLIVAN, IN

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	Subtotal	Total
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$5,668	\$5,668	\$5,668
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	\$21,006	\$21,006	\$21,006
322 Accrued Compensated Absences - Current Portion	\$19,177	\$19,177	\$19,177
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government	\$44,688	\$44,688	\$44,688
341 Tenant Security Deposits	\$35,525	\$35,525	\$35,525
342 Deferred Revenues	\$1,246	\$1,246	\$1,246
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	\$127,310	\$127,310	\$127,310
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
300 Total Liabilities	\$127,310	\$127,310	\$127,310
508.1 Invested In Capital Assets, Net of Related Debt	\$7,362,496	\$7,362,496	\$7,362,496
509.2 Fund Balance Reserved			
511.2 Unreserved, Designated Fund Balance			
511.1 Restricted Net Assets			
512.1 Unrestricted Net Assets	\$434,937	\$434,937	\$434,937
512.2 Unreserved, Undesignated Fund Balance			
513 Total Equity/Net Assets	\$7,797,433	\$7,797,433	\$7,797,433
600 Total Liabilities and Equity/Net Assets	\$7,924,743	\$7,924,743	\$7,924,743

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

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$679,146	\$679,146	\$679,146
70400 Tenant Revenue - Other	\$144	\$144	\$144
70500 Total Tenant Revenue	\$679,290	\$679,290	\$679,290
70600 HUD PHA Operating Grants	\$399,742	\$399,742	\$399,742
70610 Capital Grants	\$345,980	\$345,980	\$345,980
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	\$3,786	\$3,786	\$3,786
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	\$42,695	\$42,695	\$42,695
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$1,471,493	\$1,471,493	\$1,471,493
91100 Administrative Salaries	\$184,113	\$184,113	\$184,113
91200 Auditing Fees	\$4,665	\$4,665	\$4,665
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing	\$6,985	\$6,985	\$6,985
91500 Employee Benefit contributions - Administrative	\$62,848	\$62,848	\$62,848
91600 Office Expenses	\$20,494	\$20,494	\$20,494
91700 Legal Expense	\$337	\$337	\$337
91800 Travel	\$519	\$519	\$519
91810 Allocated Overhead			
91900 Other	\$24,484	\$24,484	\$24,484
91000 Total Operating - Administrative	\$304,445	\$304,445	\$304,445
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other	\$2,700	\$2,700	\$2,700
92500 Total Tenant Services	\$2,700	\$2,700	\$2,700

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

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	Subtotal	Total
93100 Water	\$35,311	\$35,311	\$35,311
93200 Electricity	\$124,937	\$124,937	\$124,937
93300 Gas	\$10,751	\$10,751	\$10,751
93400 Fuel			
93500 Labor			
93600 Sewer	\$46,801	\$46,801	\$46,801
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense	\$14,575	\$14,575	\$14,575
93000 Total Utilities	\$232,375	\$232,375	\$232,375
94100 Ordinary Maintenance and Operations - Labor	\$178,893	\$178,893	\$178,893
94200 Ordinary Maintenance and Operations - Materials and Other	\$59,400	\$59,400	\$59,400
94300 Ordinary Maintenance and Operations Contracts	\$134,747	\$134,747	\$134,747
94500 Employee Benefit Contributions - Ordinary Maintenance	\$102,313	\$102,313	\$102,313
94000 Total Maintenance	\$475,353	\$475,353	\$475,353
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
96110 Property Insurance	\$40,968	\$40,968	\$40,968
96120 Liability Insurance	\$13,968	\$13,968	\$13,968
96130 Workmen's Compensation	\$5,187	\$5,187	\$5,187
96140 All Other Insurance	\$6,163	\$6,163	\$6,163
96100 Total insurance Premiums	\$66,286	\$66,286	\$66,286
96200 Other General Expenses			
96210 Compensated Absences	\$20,443	\$20,443	\$20,443
96300 Payments in Lieu of Taxes	\$44,692	\$44,692	\$44,692
96400 Bad debt - Tenant Rents	\$299	\$299	\$299
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$65,434	\$65,434	\$65,434
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
96900 Total Operating Expenses	\$1,146,593	\$1,146,593	\$1,146,593
97000 Excess of Operating Revenue over Operating Expenses	\$324,900	\$324,900	\$324,900

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

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	Subtotal	Total
97100 Extraordinary Maintenance	\$1,981	\$1,981	\$1,981
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	\$736,000	\$736,000	\$736,000
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$1,884,574	\$1,884,574	\$1,884,574
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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$413,081	-\$413,081	-\$413,081
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$8,210,308	\$8,210,308	\$8,210,308
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$206	\$206	\$206
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			
11180 Housing Assistance Payments Equity			
11190 Unit Months Available	3060	3060	3060
11210 Number of Unit Months Leased	2829	2829	2829
11270 Excess Cash	\$300,825	\$300,825	\$300,825
11610 Land Purchases	\$0	\$0	\$0
11620 Building Purchases	\$345,980	\$345,980	\$345,980
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, 2012, 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. 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.
2. During my review of cash disbursements made by PHA it was noted that not all small purchases that required multiple quotes had the documentation to back up quotes had been obtained. PHA should maintain all documentation.
3. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999. During my review of current depositories, I noted that the housing authority did not have a current executed form from at least one financial institution holding agency funds. I recommend that the Authority execute new depository agreements with all new financial institutions and for any that have undergone ownership or name changes.

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.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois  
August 28, 2012