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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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January 14, 2025

Board of Commissioners
Housing Authority of the City of Sullivan
Sullivan County, Indiana

We have reviewed the audit report of Housing Authority of the City of Sullivan, which was opined upon by Audit Solutions, LLC, Independent Public Accountant, for the period April 1, 2023 to March 31, 2024. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Housing Authority of the City of Sullivan, as of March 31, 2024 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 31 and 32. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on page 33.

In our opinion, Audit Solutions, LLC, prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA
Deputy State Examiner



**HOUSING AUTHORITY OF THE CITY OF SULLIVAN
SULLIVAN, INDIANA**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED MARCH 31, 2024**

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

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Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Sullivan
Sullivan, Indiana

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Sullivan (Authority), Indiana, as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of March 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-iii, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying Financial Data Schedule and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 19, 2024, on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri

September 19, 2024

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
March 31, 2024

The management of the Housing Authority of the City of Sullivan (PHA) offers this narrative overview and analysis of its audited financial statements for fiscal year ended March 31, 2024. The goal is for the reader to better understand the Authority’s financial activities and its overall financial position and to show whether current year revenues covered current year expenses and the extent to which the Authority has invested its capital assets. We encourage readers to consider the information presented here in conjunction with the Authority’s financial statements, which begins on page 4.

FINANCIAL HIGHLIGHTS:

- The assets of the PHA exceed its liabilities as of March 31, 2024, by \$6,373,711 (Net Position).
- The PHA’s net investment in capital assets as of March 31, 2024, was \$5,737,839.
- The PHA’s total revenue for the fiscal year-end March 31, 2024, was \$2,890,711.
- The PHA’s total expenses for the fiscal year-end March 31, 2024, were \$2,053,085.
- Therefore, the PHA’s total combined income exceeded its total combined expenses by \$837,626.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The following financial statements are included in this report:

- *Statement of Net Position* - reports the Authority current financial resources: its cash and other current assets, its current and non-current liabilities and comparing those two elements, the resulting net position of the PHA. A comparison between this year and the preceding year is also provided.
- *Statement of Revenue and Expenses and Changes in Net Position* - reports the PHA’s various revenue and expenses and provides a comparison between this year and the preceding year.
- *Statement of Cash Flows* – reports cash inflows and outflows for the PHA’s fiscal year.

Statement of Net Position
March 31,

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>%-Change</u>
Current Assets	\$854,294	\$600,503	\$253,791	42.3%
Capital Assets, Net	\$7,332,082	\$6,898,797	\$433,285	6.3%
Total Assets	<u>\$8,186,376</u>	<u>\$7,499,300</u>	<u>\$687,076</u>	<u>9.2%</u>
Current Liabilities	\$321,384	359,174	(\$37,790)	-10.5%
Non-Current Liabilities	\$1,491,281	1,594,243	(\$102,962)	-6.5%
Total Liabilities	<u>\$1,812,665</u>	<u>\$1,953,417</u>	<u>(\$140,752)</u>	<u>-7.2%</u>
Net Position:				
Net Investment in Capital Assets	\$5,737,839	5,209,092	\$528,747	10.2%
Unrestricted Net Position	\$635,872	336,791	\$299,081	88.8%
Total Net Position	<u>\$6,373,711</u>	<u>\$5,545,883</u>	<u>\$827,828</u>	<u>14.9%</u>

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
March 31, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS – (Continued):

The increase in net invested in capital assets is due to a decrease in loans and renovations funded by CFP.

The decrease in non-current liabilities is due to the payment on the Energy Performance Contract.

Statement of Changes in Net Position
For the Year Ended March 31,

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>%-Change</u>
Revenue:				
Tenant Revenue	\$835,238	\$738,472	\$96,766	13.1%
Federal Grants & Subsidy	\$2,003,781	\$1,676,130	\$327,651	19.5%
Investment Income	\$14,779	\$3,694	\$11,085	300.1%
Other Income	\$36,913	\$40,561	(\$3,648)	-9.0%
Total Revenue	<u>\$2,890,711</u>	<u>\$2,458,857</u>	<u>\$431,854</u>	<u>17.6%</u>
Expenses:				
Administrative	\$460,659	\$348,073	\$112,586	32.3%
Tenant Services	\$2,557	\$2,206	\$351	15.9%
Utilities	\$250,482	\$270,693	(\$20,211)	-7.5%
Routine Maintenance	\$593,218	\$577,569	\$15,649	2.7%
General Expenses	\$212,060	\$190,568	\$21,492	11.3%
Interest Expenses	\$51,096	\$51,563	(\$467)	-0.9%
Depreciation	\$483,013	\$404,135	\$78,878	19.5%
Total Operating Expenses	<u>\$2,053,085</u>	<u>\$1,844,807</u>	<u>\$208,278</u>	<u>11.3%</u>
Increase (Decrease) in Net Position	<u>\$837,626</u>	<u>\$614,050</u>	<u>\$223,576</u>	<u>36.4%</u>

The Increase in Federal Grants & Subsidy is due to the increase in CFP receipts.

The increase in Administrative Expenses is due to an increase in sundry expenses and salaries.

BUDGETARY HIGHLIGHTS

Low-Rent Public Housing (Operations Only)

We know of no facts, decisions or conditions that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes).

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
March 31, 2024

CAPITAL ASSETS ACTIVITY DURING THE YEAR

There were capital asset purchases made throughout the year. They are as follows:

Capital Assets at Year End				
(Net of Accumulated Depreciation)				
March 31,				
	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>%-Change</u>
Land	\$131,924	\$131,924	\$0	0.0%
Buildings	\$20,301,106	\$20,301,106	\$0	0.0%
Equipment - dwellings	\$458,383	\$458,383	\$0	0.0%
Equipment - administration	\$722,841	\$722,841	\$0	0.0%
Construction in progress	\$1,924,367	\$1,008,069	\$916,298	90.9%
Subtotal	\$23,538,621	\$22,622,323	\$916,298	4.0%
Accumulated depreciation	(\$16,206,539)	(\$15,723,526)	(\$483,013)	3.0%
Net Capital Assets	<u>\$7,332,082</u>	<u>\$6,898,797</u>	<u>\$433,285</u>	<u>6.3%</u>

- Low Rent Program: parking lot upgrades, elevator upgrades, and apartment renovations.
- Additional information regarding capital assets can be found in “Notes to the Financial Statements”

CONTACTING THE AUTHORITY’S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the PHA’s finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Erica Crawley, Acting Interim Executive Director, and Housing Authority of the City of Sullivan, 200 Sunrise Towers, Sullivan, IN 47882.

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

STATEMENT OF NET POSITION
March 31, 2024

ASSETS

Current Assets:

Cash and cash equivalents	\$	521,834
Cash - restricted		64,000
Investments		100,432
Receivables - net of allowances of \$0		117,675
Prepaid expenses		<u>50,353</u>

Total Current Assets 854,294

Non-current Assets:

Capital assets:

Land and construction in progress		2,056,291
Other capital assets, net of depreciation		<u>5,275,791</u>

Total capital assets - net 7,332,082

Total Non-current Assets 7,332,082

Total Assets \$ 8,186,376

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

STATEMENT OF NET POSITION - (Continued)
March 31, 2024

LIABILITIES

Current Liabilities:

Accounts payable	\$ 78,783
Accrued salaries and benefits	11,627
Tenant security deposit liability	64,000
Accrued compensated absences	24,540
Accrued interest payable	35,572
Current portion of long-term debt	102,962
Unearned revenues	<u>3,900</u>

Total Current Liabilities 321,384

Non-current Liabilities:

Long term debt, net of current portion	<u>1,491,281</u>
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Total Non-current Liabilities 1,491,281

Total Liabilities 1,812,665

NET POSITION

Net investment in capital assets	5,737,839
Unrestricted	<u>635,872</u>

Total Net Position 6,373,711

Total Liabilities and Net Position \$ 8,186,376

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended March 31, 2024

OPERATING REVENUES	
Tenant revenue	\$ 835,238
Governmental grants and subsidy	1,915,970
Miscellaneous	<u>36,913</u>
 Total operating revenue	 <u>2,788,121</u>
 OPERATING EXPENSES	
Administrative	460,659
Tenant services	2,557
Utilities	250,482
Ordinary maintenance and operations	593,218
Insurance	139,728
General	72,332
Depreciation expense	<u>483,013</u>
 Total operating expenses	 <u>2,001,989</u>
 Operating income (loss)	 <u>786,132</u>
 NON-OPERATING REVENUES (EXPENSES)	
Investment income	14,779
Interest expense	<u>(51,096)</u>
 Net non-operating revenues (expenses)	 <u>(36,317)</u>
 Income (loss) before contributions and transfers	 <u>749,815</u>
 Capital contributions	 <u>87,811</u>
 Change in net position	 837,626
Total net position - beginning of year	5,545,883
Prior period adjustments	<u>(9,798)</u>
 Total net position - end of year	 \$ <u><u>6,373,711</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$	824,166
Received from governmental grants and subsidy		1,795,841
Received from other operating activities		36,913
Payments for goods and services		(976,566)
Payments to employees		(528,755)
Payment in lieu of taxes		<u>(46,244)</u>

Net cash provided by (used in) operating activities 1,105,355

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions		87,811
Purchases of capital assets		(916,298)
Principal paid on capital debt		(95,462)
Interest paid on capital debt		<u>(53,226)</u>

Net cash provided by (used in) capital and related financing activities (977,175)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments		(100,432)
Receipts of interest and dividends		<u>14,779</u>

Net cash provided by (used in) investing activities (85,653)

Net increase (decrease) in cash and cash equivalents 42,527
Cash and cash equivalents at beginning of year 543,307

Cash and cash equivalents at end of year \$ 585,834

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended March 31, 2024

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 786,132
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	483,013
Change in assets and liabilities:	
Receivables, net	(106,713)
Prepaid expenses	(4,119)
Accounts and other payables	23,985
Tenant security deposit	(1,250)
Unearned revenues	(10,032)
Compensated absences	650
Accrued expenses	<u>(66,311)</u>
Net cash provided by (used) by operating activities	\$ <u><u>1,105,355</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2024

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

1B. Basis of Presentation - (Continued)

The Authority operates the following programs in the enterprise fund:

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

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

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

1E. Estimates and assumptions

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2024

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

1F. Assets, Liabilities and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of HUD and tenants accounts receivable.

Prepaid Expenses

Prepaid expenditures, such as insurance premiums and deferred costs, which are expected to be written off within the next fiscal year, are included in net current assets.

Capital Assets

Capital assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$1,000 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	20-40 years
Site improvements	7-20 years
Furniture, equipment and machinery	3-10 years

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted asset is related to the security deposit fund under the Low Rent program.

Compensated Absences

The Authority’s policies regarding vacation time permits employees to carry forward unused vacation leave not to exceed three weeks. The liability for these compensated absences is recorded as short-term liabilities as vacation time must be used the year following the year it is accrued.

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2024

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

1F. Assets, Liabilities and Equity - (Continued)

Equity Classifications

Equity is classified as net position and displayed in two components:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Change in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority’s compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

2A. Program Accounting Requirements

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

Program

Public and Indian Housing
Public Housing Capital Fund

Required By

U.S. Department of Housing and Urban Development
U.S. Department of Housing and Urban Development

2B. Deposits and Investments Laws and Regulations

It is the Authority’s policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. As reflected in Note 3A, all deposits were fully insured or collateralized.

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2024

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (Continued)

2B. Deposits and Investments Laws and Regulations – (Continued)

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

2C. Revenue Restrictions

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Public Housing Capital Fund	Modernization

For the year ended March 31, 2024, the Authority complied, in all material respects, with these revenue restrictions.

NOTE 3 – DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detailed information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash and Investments

As of March 31, 2024, the Authority had the following cash deposits:

Cash deposits	\$ 585,534
Petty cash / change fund	300
Certificate of Deposit	<u>100,432</u>
Total	<u>\$ 686,266</u>

Following is a reconciliation of the Authority's deposit balances as of March 31, 2024:

Cash and cash equivalents	\$ 521,834
Restricted assets	64,000
Investments	<u>100,432</u>
Total	<u>\$ 686,266</u>

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2024

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

3A. Cash and Investments – (Continued)

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At March 31, 2024, the Authority’s bank balances of \$596,849 were entirely covered by FDIC insurance or by the Public Deposit Insurance Fund (PDIF) which was created in 1937 to protect the public funds of the state and its political subdivisions deposited in approved financial institutions in the state of Indiana. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by federal deposit insurance. The fund is administered by the Indiana Board for Depositories.

Investments

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At March 31, 2024, the Authority’s investment balance of \$100,432 was entirely covered by FDIC and PDIF insurance.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority’s investments consist entirely of certificate of deposits, credit risk is not applicable to the Housing Authority.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At March 31, 2024, the concentration of the Authority’s investment (excluding cash deposits) was as follows:

Type of Investment	Market Value	Maturity Date
Certificate of Deposit	\$ 50,216	3/1/2025
Certificate of Deposit	50,216	3/1/2025
Total	\$ 100,432	

3B. Restricted Assets

Restricted assets at March 31, 2024 consist of the following:

Type of Restricted Assets	Cash Including Time Deposits	Investments	Accrued Interest	Total
Security deposit	\$ 64,000	\$ ----	\$ ----	\$ 64,000

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2024

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

3C. Accounts Receivable

Receivables at March 31, 2024 consist of the following:

Tenants	\$	4,225
HUD		<u>113,450</u>
Total Accounts Receivable	\$	<u>117,675</u>

3D. Prepaid Expenses

Prepaid expenses totaled \$50,353 at March 31, 2024, and consisted of primarily prepaid insurances and deferred cost.

3E. Capital Assets

A summary of capital asset activity for the year ended March 31, 2024, is as follows:

	<u>Balance April 1, 2023</u>	<u>Additions</u>	<u>(Retirement)</u>	<u>Balance March 31, 2024</u>
Non-depreciable assets:				
Land	\$ 131,924	\$ -	\$ -	\$ 131,924
Construction in progress	<u>1,008,069</u>	<u>916,298</u>	<u>-</u>	<u>1,924,367</u>
Total non-depreciable assets	<u>1,139,993</u>	<u>916,298</u>	<u>-</u>	<u>2,056,291</u>
Depreciable assets:				
Building	20,301,106	-	-	20,301,106
Equipment - dwelling	458,383	-	-	458,383
Equipment - administration	<u>722,841</u>	<u>-</u>	<u>-</u>	<u>722,841</u>
Total depreciable assets	21,482,330	-	-	21,482,330
Accumulated depreciation	<u>(15,723,526)</u>	<u>(483,013)</u>	<u>-</u>	<u>(16,206,539)</u>
Total depreciable assets, net	<u>5,758,804</u>	<u>(483,013)</u>	<u>-</u>	<u>5,275,791</u>
Capital assets, net	<u>\$ 6,898,797</u>	<u>\$ 433,285</u>	<u>\$ -</u>	<u>\$ 7,332,082</u>

Depreciation expense is charged to programs as follows:

<u>Business-type Activities</u>	
Low Rent	\$ <u>483,013</u>
Total depreciation expense	\$ <u>483,013</u>

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2024

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

3F. Accounts Payable

Accounts payable at March 31, 2024, consist of the following:

Vendors & contractors	\$ 20,307
PILOT	<u>58,476</u>
Total	<u>\$ 78,783</u>

3G. Non-current Liabilities

Non-current liabilities at March 31, 2024, consist of the following:

Energy Performance Contract	\$ <u>1,491,281</u>
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The following is the summary of changes in long-term liabilities:

	<u>Balance April 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2024</u>	<u>Amounts Due within One Year</u>
Energy Performance Contract	<u>\$ 1,594,243</u>	<u>\$ ---</u>	<u>\$ 102,962</u>	<u>\$ 1,491,281</u>	<u>\$ 102,962</u>

The Authority received HUD approval for an Energy Performance Contract (EPC) on July 13, 2020, in the amount of \$1,861,538 at an interest rate of 3.15%. Balance as of March 31, 2024, is \$1,491,281 (including current portion of \$102,962). Interest expense for FY 2024 was \$51,096. Payments are made using utility savings generated by energy-saving projects. Projects include various improvements, lighting, showerheads, aerators, thermostats, and heat pumps. Utility savings are guaranteed by the Energy Performance Contractor, Johnson Controls, Inc. The payments are made on an annual basis. The annual debt service requirements to maturity for long-term debts as of March 31, 2024, are as follows:

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 102,962	\$ 50,219	\$ 153,181
2026	95,238	46,975	142,213
2027	102,504	43,975	146,479
2028	110,128	40,746	150,874
2029	118,123	37,277	155,400
2030 - 2034	712,059	128,667	840,726
2035-2036	<u>353,229</u>	<u>16,861</u>	<u>370,090</u>
	<u>\$ 1,594,243</u>	<u>\$ 364,720</u>	<u>\$ 1,958,963</u>

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2024

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

3H. Inter-program Transactions and Balances

Transfers are used to move revenues from one program to the other program in accordance with the budgetary authorizations.

Operating Transfers

	Transfer In	Transfer Out
Public and Indian Housing	\$ 40,913	\$ ---
Public Housing Capital Find	---	(40,913)
	\$ 40,913	\$ (40,913)

3I. Prior Period Adjustment

Deferred revenue-CFP – To adjust prior year to actual	\$ <u>(9,798)</u>
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NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan (401k) with John Hancock Life Insurance Company. The Plan administrator has complete control of the administration of the plan, including complete discretions to interpret or construe the provisions of the Plan and under which contributions are established or may be amended.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the Authority to contribute 7.5% and employees 5.5% of covered wages. Benefits are fully vested at the end of 5 years of service.

The following information related to the defined contribution plan at December 31, 2023:

Total payroll	\$ 386,194
Total payroll for eligible participants	\$ 383,827
Employer contributions made	\$ 28,787

4B. Contingencies

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4C. Financial Data Schedule

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation and includes interest expense, investment income and capital contributions in operating activities, which differs from the presentation of basic financial statements.

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2024

NOTE 4 – OTHER NOTES – (Continued)

4D. Commitments - Construction

At March 31, 2024, the Authority had the following pending projects in progress:

	<u>Funds</u>		<u>Funds Expended -</u>
	<u>Approved</u>		<u>Project to Date</u>
CFP 501-20	\$ 574,455	\$	544,887
CFP 501-21	\$ 565,146	\$	562,578
CFP 501-22	\$ 693,379	\$	671,977
CFP 501-23	\$ 693,790	\$	163,532
CFP 501-21E	\$ 250,000	\$	219,204

4E. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with AHRMA.
b. Injuries to employees (workers' compensation)	Purchased insurance with Cincinnati Insurance Co. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$5,000 deductible.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4F. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through September 19, 2024, and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

4G. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2025 federal budget.

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2024

Federal Grantor	Assistance Listings Number	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Public and Indian Housing	14.850	\$ 999,672
Public Housing Capital Fund	14.872	1,004,109
Total Expenditures of Federal Awards		\$ <u>2,003,781</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Housing Authority of the City of Sullivan, Indiana (Authority) under programs of the federal government for the year ended March 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – SOURCES OF FUNDING

The schedule includes all grants and contracts entered into directly between the Authority and agencies and departments of the federal government, as well as federal funds passed through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

NOTE 4 – SUB-RECIPIENTS

There were no sub-recipients for the year ended March 31, 2024.

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

FINANCIAL DATA SCHEDULE
Year Ended March 31, 2024

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$521,834	\$521,834		\$521,834
114 Cash - Tenant Security Deposits	\$64,000	\$64,000		\$64,000
100 Total Cash	\$585,834	\$585,834	\$0	\$585,834
122 Accounts Receivable - HUD Other Projects	\$113,450	\$113,450		\$113,450
126 Accounts Receivable - Tenants	\$4,225	\$4,225		\$4,225
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$117,675	\$117,675	\$0	\$117,675
131 Investments - Unrestricted	\$100,432	\$100,432		\$100,432
142 Prepaid Expenses and Other Assets	\$50,353	\$50,353		\$50,353
150 Total Current Assets	\$854,294	\$854,294	\$0	\$854,294
161 Land	\$131,924	\$131,924		\$131,924
162 Buildings	\$20,301,106	\$20,301,106		\$20,301,106
163 Furniture, Equipment & Machinery - Dwellings	\$458,383	\$458,383		\$458,383
164 Furniture, Equipment & Machinery - Administration	\$722,841	\$722,841		\$722,841
166 Accumulated Depreciation	-\$16,206,539	-\$16,206,539		-\$16,206,539
167 Construction in Progress	\$1,924,367	\$1,924,367		\$1,924,367
160 Total Capital Assets, Net of Accumulated Depreciation	\$7,332,082	\$7,332,082	\$0	\$7,332,082
180 Total Non-Current Assets	\$7,332,082	\$7,332,082	\$0	\$7,332,082
290 Total Assets and Deferred Outflow of Resources	\$8,186,376	\$8,186,376	\$0	\$8,186,376
312 Accounts Payable <= 90 Days	\$20,307	\$20,307		\$20,307
321 Accrued Wage/Payroll Taxes Payable	\$11,627	\$11,627		\$11,627
322 Accrued Compensated Absences - Current Portion	\$24,540	\$24,540		\$24,540
325 Accrued Interest Payable	\$35,572	\$35,572		\$35,572
333 Accounts Payable - Other Government	\$58,476	\$58,476		\$58,476
341 Tenant Security Deposits	\$64,000	\$64,000		\$64,000
342 Unearned Revenue	\$3,900	\$3,900		\$3,900
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$102,962	\$102,962		\$102,962
310 Total Current Liabilities	\$321,384	\$321,384	\$0	\$321,384
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$1,491,281	\$1,491,281		\$1,491,281
350 Total Non-Current Liabilities	\$1,491,281	\$1,491,281	\$0	\$1,491,281
300 Total Liabilities	\$1,812,665	\$1,812,665	\$0	\$1,812,665
508.4 Net Investment in Capital Assets	\$5,737,839	\$5,737,839		\$5,737,839
512.4 Unrestricted Net Position	\$635,872	\$635,872		\$635,872
513 Total Equity - Net Assets / Position	\$6,373,711	\$6,373,711	\$0	\$6,373,711
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$8,186,376	\$8,186,376	\$0	\$8,186,376

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended March 31, 2024

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$834,117	\$834,117		\$834,117
70400 Tenant Revenue - Other	\$1,121	\$1,121		\$1,121
70500 Total Tenant Revenue	\$835,238	\$835,238	\$0	\$835,238
70600 HUD PHA Operating Grants	\$1,915,970	\$1,915,970		\$1,915,970
70610 Capital Grants	\$87,811	\$87,811		\$87,811
71100 Investment Income - Unrestricted	\$14,779	\$14,779		\$14,779
71500 Other Revenue	\$36,913	\$36,913		\$36,913
70000 Total Revenue	\$2,890,711	\$2,890,711	\$0	\$2,890,711
91100 Administrative Salaries	\$235,645	\$235,645		\$235,645
91200 Auditing Fees	\$6,500	\$6,500		\$6,500
91400 Advertising and Marketing	\$3,579	\$3,579		\$3,579
91500 Employee Benefit contributions - Administrative	\$57,099	\$57,099		\$57,099
91600 Office Expenses	\$52,855	\$52,855		\$52,855
91700 Legal Expense	\$2,178	\$2,178		\$2,178
91900 Other	\$102,803	\$102,803		\$102,803
91000 Total Operating - Administrative	\$460,659	\$460,659	\$0	\$460,659
92400 Tenant Services - Other	\$2,557	\$2,557		\$2,557
92500 Total Tenant Services	\$2,557	\$2,557	\$0	\$2,557
93100 Water	\$20,955	\$20,955		\$20,955
93200 Electricity	\$136,702	\$136,702		\$136,702
93300 Gas	\$12,502	\$12,502		\$12,502
93400 Fuel	\$946	\$946		\$946
93600 Sewer	\$62,655	\$62,655		\$62,655
93800 Other Utilities Expense	\$16,722	\$16,722		\$16,722
93000 Total Utilities	\$250,482	\$250,482	\$0	\$250,482
94100 Ordinary Maintenance and Operations - Labor	\$175,005	\$175,005		\$175,005
94200 Ordinary Maintenance and Operations - Materials and Other	\$84,526	\$84,526		\$84,526
94300 Ordinary Maintenance and Operations Contracts	\$270,194	\$270,194		\$270,194
94500 Employee Benefit Contributions - Ordinary Maintenance	\$63,493	\$63,493		\$63,493
94000 Total Maintenance	\$593,218	\$593,218	\$0	\$593,218
96110 Property Insurance	\$103,935	\$103,935		\$103,935
96120 Liability Insurance	\$18,022	\$18,022		\$18,022
96130 Workmen's Compensation	\$5,783	\$5,783		\$5,783
96140 All Other Insurance	\$11,988	\$11,988		\$11,988
96100 Total insurance Premiums	\$139,728	\$139,728	\$0	\$139,728
96210 Compensated Absences	\$650	\$650		\$650
96300 Payments in Lieu of Taxes	\$58,476	\$58,476		\$58,476
96400 Bad debt - Tenant Rents	\$13,206	\$13,206		\$13,206
96000 Total Other General Expenses	\$72,332	\$72,332	\$0	\$72,332

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended March 31, 2024

	Project Total	Subtotal	ELIM	Total
96710 Interest of Mortgage (or Bonds) Payable	\$51,096	\$51,096		\$51,096
96700 Total Interest Expense and Amortization Cost	\$51,096	\$51,096	\$0	\$51,096
96900 Total Operating Expenses	\$1,570,072	\$1,570,072	\$0	\$1,570,072
97000 Excess of Operating Revenue over Operating Expenses	\$1,320,639	\$1,320,639	\$0	\$1,320,639
97400 Depreciation Expense	\$483,013	\$483,013		\$483,013
90000 Total Expenses	\$2,053,085	\$2,053,085	\$0	\$2,053,085
10010 Operating Transfer In	\$40,913	\$40,913	-\$40,913	\$0
10020 Operating transfer Out	-\$40,913	-\$40,913	\$40,913	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$837,626	\$837,626	\$0	\$837,626
11030 Beginning Equity	\$5,545,883	\$5,545,883		\$5,545,883
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$9,798	-\$9,798		-\$9,798
11190 Unit Months Available	2928	2928		2928
11210 Number of Unit Months Leased	2740	2740		2740
11270 Excess Cash	\$355,626	\$355,626		\$355,626
11620 Building Purchases	\$916,298	\$916,298		\$916,298



Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Housing Authority of the City of Sullivan
Sullivan, Indiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Sullivan (Authority), Indiana, as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated September 19, 2024.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding #2024-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Authority's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in my audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

September 19, 2024



Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Housing Authority of the City of Sullivan
Sullivan, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited Housing Authority of the City of Sullivan (Authority), Indiana's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Authority's major federal programs for the year ended March 31, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2024.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding #2024-002. My opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Authority's response to the noncompliance findings identified in my audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control over Compliance

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I did identify a certain deficiency in internal control over compliance that I consider to be a significant deficiency.

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 a 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. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding #2024-002 to be a significant deficiency.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Authority's response to the internal control over compliance findings identified in my audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

September 19, 2024



Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITORS REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of Sullivan
Sullivan, Indiana

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

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

I was engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by the Authority as of and for the year ended March 31, 2024, and have issued my report thereon dated September 19, 2024. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, my opinion on the fair presentation of the Financial Data Schedule (FDS) dated September 19, 2024, was expressed in relation to the basic financial statements of the Authority taken as a whole.

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

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

Audit Solutions, LLC

Chesterfield, Missouri
September 19, 2024

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

AGREED UPON PROCEDURES

March 31, 2024

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

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
March 31, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

➤ Material weakness(es) identified? No
➤ Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified? No
➤ Significant deficiency(ies) identified? Yes

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? No

Identification of Major programs:

➤ ALN #14.850 Public and Indian Housing

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

Auditee qualified as low-risk auditee? Yes

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
March 31, 2024

Section II - Financial Statement Findings

The current audit report for the year ended March 31, 2024, disclosed the following Financial Statement audit finding:

2024-001. Significant Audit Adjustments

Criteria:

The Authority should take the steps necessary to ensure accuracy and completeness of the financial statements.

Condition:

This audit required a number of significant adjusting journal entries. These entries were necessary because certain unadjusted general ledger accounts were incorrect and/or not recorded correctly.

Questioned Costs:

None noted.

Effect:

The PHA's financial statements before any adjusting entries contained errors and/or were not properly recorded.

Cause:

This appears to be an oversight by the Authority.

Recommendation:

I recommend that the Authority exercise more care in processing and recording transactions and that more care be taken to ensure the completeness of financial reporting.

Management's Response:

First and foremost, I, Erica Crawley, apologize for these careless oversights on the accounts that need adjustments. I have never had this many or seriousness of adjustments in the last 12 years that I have been doing this job. The Sullivan Housing Authority has had more going on this last year, particularly around the time I was working on closing the books for fiscal year end 3/31/2024. I understand that there is no acceptable excuse for these oversights, but I have been taking notes during the audit so this will not happen again. As of today, September 19, 2024, I have been in contact with our fee accountant about adding additional services to our contract.

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
March 31, 2024

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended March 31, 2024, disclosed the following Federal Awards audit findings and questioned costs:

2024-002. Significant Audit Adjustments (same as financial finding #2024-001).

Federal Awards:

14.850 – Public and Indian Housing

Type:

Significant deficiency

HOUSING AUTHORITY OF THE CITY OF SULLIVAN
Sullivan, Indiana

CORRECTIVE ACTION PLAN
March 31, 2024

The following is the corrective action plan for FY 2024 finding:

Financial Statement Finding:

2024-001. Significant Audit Adjustments

Corrective action planned: Review all of the general ledger accounts instead of just a select few accounts monthly so if there are errors, they can be corrected right away. Will contact the fee accountant about possibly adding additional services to our contract.

Contact person: Erica Crawley, Interim Executive Director

Anticipated completion date: 10/31/2024

Federal Award Finding:

2024-002. Significant Audit Adjustments (same as financial finding #2024-001).