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May 19, 2009

Board of Commissioners  
Sullivan Housing Authority  
200 North Court  
Sullivan, IN 47882

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period April 1, 2006 to March 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Sullivan Housing Authority, as of March 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

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

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**TWELVE MONTHS ENDED MARCH 31, 2007**

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

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# PAMELA J. SIMPSON, C.P.A.

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## Independent Auditor's Report

Board of Directors  
Sullivan Housing Authority  
Sullivan, Indiana

I have audited the accompanying basic financial statements of Sullivan Housing Authority, as of and for the year ended March 31, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 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 basic 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, 2007 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 September 27, 2007, on my consideration of the Authority's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulation, contracts and grants. The purpose of that report is to describe the scope of my testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis on pages 3 through 9 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements of the Sullivan Housing Authority, taken as a whole. The accompanying 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 not a required part of the basic financial statements of the Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Sullivan Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all materials respects, in relation to the basic financial statements taken as a whole.

Decatur, Illinois  
September 27, 2007

  
Certified Public Accountant

**SULLIVAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007**

**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, 2007. 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 Fund 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.
- Comparison of budget vs. actual – reports the Authority's actual operating revenues and expenses versus the budgeted amounts.

**Future Events (New Business)**

There are no future events planned by the Authority during the fiscal year ending March 31, 2008 that will significantly affect the Authority's Net Assets either positively or negatively.

SULLIVAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007

Condensed Comparative Financial Statements

*Analysis of Entity Wide Net Assets (Statement of Net Assets)*

**Total Assets** for FYE 2006 was \$8,872,556 and at FYE 2007 the amount was \$8,582,737. This represents a net decrease of \$289,819 or 3%.

**Cash** decreased by \$421, while invested funds increased by \$25,517 due to a positive cash flow from operations..

**Other Current Assets** decreased by \$10,960 which relates to lower insurance premiums prepaid at year end.

**Capital Assets** decreased by \$278,438. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Current Liabilities** decreased \$14,485 or 11%, due to decrease in payables and deferred revenues.

The table below illustrates our analysis:

	<u>2207</u>	<u>2006</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	119,480	119,901	(421)	0%
Other Current Assets	590,275	601,235	(10,960)	-2%
Capital Assets	7,872,982	8,151,420	(278,438)	-3%
<b>Total Assets</b>	<b>8,582,737</b>	<b>8,872,556</b>	<b>(289,819)</b>	<b>-3%</b>
Current Liabilities	118,904	133,389	(14,485)	-11%
Long Term Liabilities	0	0	0	0%
<b>Total Liabilities</b>	<b>118,904</b>	<b>133,389</b>	<b>(14,485)</b>	<b>-11%</b>
Net Invested in Capital Assets	7,872,982	8,151,420	(278,438)	-3%
Unrestricted Net Assets	590,851	587,747	3,104	1%
<b>Total Net Assets</b>	<b>8,463,833</b>	<b>8,739,167</b>	<b>(275,334)</b>	<b>-3%</b>

**SULLIVAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007**

*Analysis of Entity Wide Revenues (Statement of Activities)*

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2007 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$1,059,347
Housing Choice Voucher Program	\$164,880
Capital Funds Program	\$243,771

*Analysis of Entity Wide Revenue*

**Total Revenues** for Fiscal Year Ending March 31, 2007 were \$1,467,998 as compared to the total revenues for Fiscal Year Ending March 31, 2006 of \$1,778,672. Comparatively, Fiscal Year Ending 2006 revenues exceeded Fiscal Year Ending 2007 revenues by \$310,674.

**Total Tenant Revenue** increased by \$34,217 or 7% due to increases in tenants calculated rent and higher rent per unit earned in the current year.

**HUD Operating Grants** decreased by \$106,999 or 14% due to decreased subsidy received in the public housing program.

**HUD Capital Grants** decreased by \$260,488 or 56% due to the decrease in ongoing capital projects.

**Investment income** increased by \$13,582 or 105% due to an increase in funds invested and higher interest rates.

**Other Revenue** increased by \$9,014 or 34% due largely to revenues earned from utility reimbursement from corporate tenants, maintenance and damages charged to tenants.

The table below illustrates our analysis:

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>	<u>Percent Variances</u>
Total Tenant Revenue	555,937	521,720	34,217	7%
HUD Operating Grants	645,428	752,427	(106,999)	-14%
HUD Capital Grants	204,886	465,374	(260,488)	-56%
Investment Income	26,565	12,983	13,582	105%
Other Revenue	35,182	26,168	9,014	34%
<b>Total Revenue</b>	<b><u>1,467,998</u></b>	<b><u>1,778,672</u></b>	<b><u>(310,674)</u></b>	<b><u>-18%</u></b>

**SULLIVAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007**

*Analysis of Entity Wide Expenditures*

**Total Expenditures** for Fiscal Year Ending March 31, 2007 were \$1,744,044 as compared to \$1,712,673 of total expenditures for Fiscal Year Ending March 31, 2006. Comparatively, Fiscal Year Ending 2007 expenditures exceeded Fiscal Year Ending 2006 expenditures by \$31,371. Changes by major expense category will be presented below.

**Administrative** expenditures increased by \$24,128 or 8%. The increase was due to increases in salaries and related benefits and health insurance.

**Tenant Services** expenditures increased by \$81 or 1%.

**Utilities** increased by \$11,069 or 5%. The increase was due to normal increases in costs and usage.

**Maintenance** expenditures decreased by \$7,714. Significant decreases were realized in maintenance contracts awarded offset by increases in wages and benefits paid to employees.

**General Expense** decreased by \$4,289 or 3% due to decreases in insurance costs.

**Extraordinary Maintenance** increased by \$4,165 due to more unexpected maintenance required in the prior year.

**Housing Assistance Payments** increased by \$4,239 due to an increase in the number of vouchers issued during the year.

The table below illustrates our analysis:

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>	<u>Percent Variances</u>
Administrative	322,464	298,336	24,128	8%
Tenant Services	8,057	7,976	81	1%
Utilities	216,154	205,085	11,069	5%
Maintenance	392,228	399,942	(7,714)	-2%
General Expense	128,793	133,082	(4,289)	-3%
Extraordinary Maintenance	12,216	8,051	4,165	52%
Casualty Losses	12,366	0	12,366	100%
Housing Assistance Payments	138,556	134,317	4,239	3%
Depreciation Expense	513,210	525,884	(12,674)	-2%
<b>Total Expenses</b>	<u><u>\$1,744,044</u></u>	<u><u>\$1,712,673</u></u>	<u><u>\$31,371</u></u>	<u><u>2%</u></u>

SULLIVAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007

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Budgetary Analysis

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public housing is adopted on the basis of accounting prescribed by the Housing and Urban Development, which differs in some respects from generally accepted accounting principles. Program budgets for the Section 8 Programs are approved by the U.S. Department of Housing and Urban Development.

The Authority prepares a budget for each fiscal year of Capital Fund Grant Program that is approved. The Authority is permitted four years to expended these funds. Income is only recognized as funds are expended. For the purposes of this analysis, the amount budget is equal to the actual expense.

*Housing Authority Budgetary Highlights*

**Results of Operations – Public Housing**

Management prepared a budget that anticipated residual receipts of \$31,942. Actual results of operation reflected a gain of \$46,454 (before depreciation expense).

**Tenant Rental Revenues** was over budget by \$32,301 or 6%.

**HUD Operating Grants** were under budget by \$71,638.

**Other Income** was over budget by \$17,032 or 96%.

**Administrative Expenses** were under budget by \$10,460 or 4%.

**Utilities** were under budget by \$12,364 or 5%.

**SULLIVAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007**

**PUBLIC HOUSING**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variances</b>
Tenant Revenue	523,636	555,937	(32,301)	-6%
HUD Operating Grants	516,090	444,452	71,638	14%
HUD Capital Grants	0	0	0	0%
Investment Income	0	24,276	(24,276)	-100%
Other Revenue	17,650	34,682	(17,032)	-97%
<b>Total Revenue</b>	<b>1,057,376</b>	<b>1,059,347</b>	<b>(1,971)</b>	<b>0%</b>
Administrative	253,564	243,104	10,460	4%
Tenant Services	7,200	8,057	(857)	-12%
Utilities	228,518	216,154	12,364	5%
Maintenance	427,640	392,228	35,412	8%
General Expense	108,512	128,768	(20,256)	-19%
Extraordinary Maintenance	0	12,216	(12,216)	-100%
Casualty Losses	0	12,366	(12,366)	-100%
Depreciation Expenses	0	507,063	(507,063)	-100%
<b>Total Expenses</b>	<b>1,025,434</b>	<b>1,519,956</b>	<b>(494,522)</b>	<b>-33%</b>
<b>Net Income (Loss)</b>	<b>31,942</b>	<b>(460,609)</b>	<b>492,551</b>	<b>0%</b>

**SULLIVAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007**

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**ANALYSIS OF CAPITAL ASSET ACTIVITY**

**Buildings** increased by \$1,210,162 or 9% due to capital fund expenditures related to improvements.

**Furniture, Equipment & Machinery – Dwelling** increased by a net amount of \$14,538 or 6%.

**Computer, Equipment, Machinery and Vehicle – Administration** increased by a net amount \$67,179 or 15%.

Additions included appliances and small maintenance equipment. The Housing Authority traded-in and disposed of several vehicles during the fiscal year ending March 31, 2007.

**Accumulated Depreciation** increased by \$497,713 or 7%. This is the amount of current year depreciation expense combined with some disposals for the fiscal year.

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>	<u>Percent Variance</u>
Land	131,925	0	131,925	100%
Buildings	14,619,379	13,409,217	1,210,162	9%
Furniture, Equipment, & Machinery - Dwelling	245,942	231,404	14,538	6%
Furniture, Equipment, & Machinery - Admin	506,689	439,510	67,179	15%
Leasehold Improvements	249,050	401,430	(152,380)	-38%
Construction in Process	17,736	1,069,885	(1,052,149)	-98%
<b>Total Fixed Assets</b>	<u>15,770,721</u>	<u>15,551,446</u>	<u>219,275</u>	<u>1%</u>
Accumulated Depreciation	7,897,739	7,400,026	497,713	7%
<b>Net Fixed Assets</b>	<u>7,872,982</u>	<u>8,151,420</u>	<u>(278,438)</u>	<u>-3%</u>

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF MARCH 31, 2007**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 119,480
Accounts receivable (interfund eliminated)	7,928
Accrued interest receivable	302
Investments	533,240
Inventory	343
Deferred charges	<u>48,462</u>

Total Current Assets \$ 709,755

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 15,770,721
Less: Accumulated depreciation	<u>-7,897,739</u>

Net Capital Assets \$ 7,872,982

Total Assets \$ 8,582,737

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable (interfund eliminated)	\$ 16,443
Accrued liabilities	67,031
Deferred revenues	<u>35,430</u>

Total Current Liabilities \$ 118,904

**NET ASSETS**

Invested in capital assets	\$ 7,872,982
Unrestricted	<u>590,851</u>

Total Net Assets \$ 8,463,833

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS  
AND CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED MARCH 31, 2007**

Operating Income

Tenant rental revenue	\$ 555,640
Tenant revenue - other	<u>297</u>
Total Rental Income	<u>\$ 555,937</u>
HUD grants - operating	645,428
Other revenue	<u>35,182</u>
Total Operating Income	<u>\$ 1,236,547</u>

Operating Expenses

Administration	\$ 322,464
Tenant services	8,057
Utilities	216,154
Ordinary maintenance and operation	392,228
General expense	128,793
Extraordinary maintenance	12,216
Casualty losses	12,366
Housing assistance payments	138,556
Depreciation	<u>513,210</u>
Total Operating Expenses	<u>\$ 1,744,044</u>
Net Operating Income (Loss)	<u>\$ -507,497</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 204,886
Interest income	<u>26,565</u>
Total Nonoperating Income (Expense)	<u>\$ 231,451</u>
Changes in net assets	\$ -276,046
Net assets, beginning of year	8,739,167
Prior period adjustments	<u>712</u>
Net assets, end of year	<u><u>\$ 8,463,833</u></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, 2007**

Operating Activities

Operating grants	\$ 630,547
Tenant revenue	555,821
Other revenue	35,182
Housing assistance payments	-138,556
Payments to employees	-362,426
Payments to suppliers and contractors	<u>-692,151</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 28,417</u>

Investing Activities

Investments (purchased) redeemed	\$ -25,517
Interest income	<u>26,565</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 1,048</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 204,886
(Additions) deletions to fixed assets	<u>-234,772</u>
Net Cash Provided (Used) by	
Capital and Related Financing Activities	<u>\$ -29,886</u>
Net Change in Cash	\$ -421
Cash Balance at March 31, 2006	<u>119,901</u>
Cash Balance at March 31, 2007	<u>\$ 119,480</u>

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2007**

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

Net operating income (loss)	\$ -507,497
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	513,210
Adjustments to net assets	712
(Increase) decrease in accounts receivable	-26,217
(Increase) decrease in deferred charges	40,618
(Increase) decrease in inventory	88
(Increase) decrease in other assets	-302
Increase (decrease) in accounts payable	6,308
Increase (decrease) in accrued liabilities	5,583
Increase (decrease) in deferred revenues	<u>-4,086</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 28,417</u>

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2007**

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 City, 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. 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, 2007  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Funds -

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

- \* Low Rent Public Housing
- \* Section 8 Choice Vouchers
- \* Capital Fund Program

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.

(d) Cash and Cash Equivalents -

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

(e) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at March 31, 2007, 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.

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2007  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(f) Investments -

Investments are stated at cost which approximates market.

(g) 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 public 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, 2007  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(h) Income Tax -

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

(i) 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.

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

(k) 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.

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 \$100,000 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.

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2007  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

*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.

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>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 110,333	\$ 151,576
Voucher	<u>9,147</u>	<u>9,357</u>
Total	<u>\$ 119,480</u>	<u>\$ 160,933</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.

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2007  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	\$ 480,847	\$ 480,847
Voucher	<u>52,393</u>	<u>52,393</u>
Total	<u>\$ 533,240</u>	<u>\$ 533,240</u>

Note 3 - Compensated Absences

Personal Leave

Permanent full-time employees will be granted two personnel 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. 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, 2007, the Housing Authority contributed \$38,674.

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2007  
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenant accounts receivable (net)	\$ 143
Accounts receivable - HUD	<u>7,785</u>
Subtotal	\$ 7,928
Interfund	<u>35,934</u>
Total	<u>\$ 43,862</u>

Note 6 - Investments

At March 31, 2007 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	4.91-5.16%	<u>\$ 533,240</u>	<u>\$ 533,240</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 38,748
Other	<u>9,714</u>
Total	<u>\$ 48,462</u>

Note 8 - Fixed Assets

Balance as of March 31, 2007	\$ 7,872,982
Balance as of March 31, 2006	<u>8,151,420</u>
Net Increase (Decrease)	<u>\$ -278,438</u>

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2007  
(CONTINUED)**

Note 8 - Fixed Assets (Continued)

Reconciliation

Additions	\$ 230,527
Adjustment to fixed asset basis	4,245
Current year depreciation expense	<u>-513,210</u>
Net Increase (Decrease)	<u>\$ -278,438</u>

<u>Analysis</u>	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Land	\$ 0	\$ 131,925	\$ 0	\$ 131,925
Buildings	13,409,217	1,210,162	0	14,619,379
Equipment and furniture	670,914	98,937	17,220	752,631
Leasehold improvements	401,430	13,285	165,665	249,050
Construction in progress	<u>1,069,885</u>	<u>4,245</u>	<u>1,056,394</u>	<u>17,736</u>
Subtotal	\$ 15,551,446	\$ 1,458,554	\$ 1,239,279	\$ 15,770,721
Accumulated depreciation	<u>-7,400,026</u>	<u>15,497</u>	<u>513,210</u>	<u>-7,897,739</u>
Total	<u>\$ 8,151,420</u>	<u>\$ 1,474,051</u>	<u>\$ 1,752,489</u>	<u>\$ 7,872,982</u>

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 2,584
Tenants security deposits	20,300
Payroll withholdings	<u>-6,441</u>
Subtotal	\$ 16,443
Interfund	<u>35,934</u>
Total	<u>\$ 52,377</u>

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2007  
(CONTINUED)**

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.

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued compensated absences	\$ 21,179
Accrued payroll	11,878
Payment in lieu of taxes	<u>33,974</u>
Total	<u>\$ 67,031</u>

Note 12 - Deferred Revenues

This classification consists of the following accounts:

Tenants prepaid rent	\$ 3,122
Other	<u>32,308</u>
Total	<u>\$ 35,430</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.

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2007  
(CONTINUED)**

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 fixed asset basis	\$	4,245
Adjustment HUD - year end settlement		-3,533
Total	\$	712

Note 16 - 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 17 - Economic Dependency

The Housing Authority received most of its revenue (58%) 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, 2007**

<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*	14.850	C-940	FYE 03/31/07	\$ 444,452	\$ 444,452	\$ 444,452
Public Housing - Capital Fund	14.872	C-940	FYE 03/31/07	\$ 700,885	\$ 243,771	\$ 243,771
Housing Choice Vouchers	14.871	C-940V	FYE 03/31/07	\$ 162,091	\$ 162,091	\$ 162,091
Total Housing Assistance				<u>\$ 1,307,428</u>	<u>\$ 850,314</u>	<u>\$ 850,314</u>

\*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)  
TWELVE MONTHS ENDED MARCH 31, 2007**

Note 1: Expenditures to the Housing Choice Voucher Program are reported equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**STATEMENT OF NET ASSETS  
AS OF MARCH 31, 2007**

<u>ASSETS</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 110,333	\$ 0	\$ 9,147
Accounts receivable	36,077	7,785	0
Accrued interest receivable	0	0	302
Investments	480,847	0	52,393
Inventory	343	0	0
Deferred charges	<u>48,462</u>	<u>0</u>	<u>0</u>
Total Current Assets	<u>\$ 676,062</u>	<u>\$ 7,785</u>	<u>\$ 61,842</u>
<b>CAPITAL ASSETS</b>			
Land, buildings and equipment	\$ 15,497,202	\$ 273,519	\$ 0
Less: Accumulated depreciation	<u>-7,891,592</u>	<u>-6,147</u>	<u>0</u>
Total Capital Assets	<u>\$ 7,605,610</u>	<u>\$ 267,372</u>	<u>\$ 0</u>
Total Assets	<u>\$ 8,281,672</u>	<u>\$ 275,157</u>	<u>\$ 61,842</u>
 <b><u>LIABILITIES</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 16,443	\$ 7,785	\$ 28,149
Accrued liabilities	64,344	0	2,687
Deferred revenues	<u>35,430</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>\$ 116,217</u>	<u>\$ 7,785</u>	<u>\$ 30,836</u>
 <b><u>NET ASSETS</u></b>			
Invested in capital assets	\$ 7,605,610	\$ 267,372	\$ 0
Unrestricted	<u>559,845</u>	<u>0</u>	<u>31,006</u>
Total Net Assets	<u>\$ 8,165,455</u>	<u>\$ 267,372</u>	<u>\$ 31,006</u>

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES  
TWELVE MONTHS ENDED MARCH 31, 2007**

<u>Operating Income</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Tenant rental revenue	\$ 555,640	\$ 0	\$ 0
Tenant revenue - other	<u>297</u>	<u>0</u>	<u>0</u>
Total Rental Income	\$ 555,937	0	\$ 0
HUD grants - operating	444,452	38,885	162,091
Other revenue	<u>34,682</u>	<u>0</u>	<u>500</u>
Total Operating Income	<u>\$ 1,035,071</u>	<u>\$ 38,885</u>	<u>\$ 162,591</u>
 <u>Operating Expenses</u>			
Administration	\$ 243,104	\$ 38,885	\$ 40,475
Tenant services	8,057	0	0
Utilities	216,154	0	0
Ordinary maintenance and operation	392,228	0	0
General expense	128,768	0	25
Extraordinary maintenance	12,216	0	0
Casualty losses	12,366	0	0
Housing assistance payments	0	0	138,556
Depreciation	<u>507,063</u>	<u>6,147</u>	<u>0</u>
Total Operating Expenses	<u>\$ 1,519,956</u>	<u>\$ 45,032</u>	<u>\$ 179,056</u>
Net Operating Income (Loss)	<u>\$ -484,885</u>	<u>\$ -6,147</u>	<u>\$ -16,465</u>
 <u>Nonoperating Income (Expense)</u>			
HUD grant - capital	\$ 0	\$ 204,886	\$ 0
Interest income	<u>24,276</u>	<u>0</u>	<u>2,289</u>
Total Nonoperating Income (Expense)	<u>\$ 24,276</u>	<u>\$ 204,886</u>	<u>\$ 2,289</u>
Changes in Net Assets	<u>\$ -460,609</u>	<u>\$ 198,739</u>	<u>\$ -14,176</u>

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**STATEMENT OF CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED MARCH 31, 2007**

<u>Invested in Capital Assets</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Balance at March 31, 2006	\$ 7,081,535	\$ 1,069,885	\$ 0
Current year net income (loss)	-481,422	198,739	0
Transfer	1,005,497	-1,005,497	0
Prior period adjustments	<u>0</u>	<u>4,245</u>	<u>0</u>
Balance at March 31, 2007	<u>\$ 7,605,610</u>	<u>\$ 267,372</u>	<u>\$ 0</u>
 <u>Unrestricted Net Assets</u>			
Balance at March 31, 2006	\$ 539,032	\$ 0	\$ 48,715
Current year net income (loss)	20,813	0	-14,176
Prior period adjustments	<u>0</u>	<u>0</u>	<u>-3,533</u>
Balance at March 31, 2007	<u>\$ 559,845</u>	<u>\$ 0</u>	<u>\$ 31,006</u>
Total Net Assets	<u>\$ 8,165,455</u>	<u>\$ 267,372</u>	<u>\$ 31,006</u>

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED MARCH 31, 2007**

<u>Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Operating grants	\$ 444,452	\$ 34,824	\$ 151,271
Tenant revenue	555,821	0	0
Other revenue	34,682	0	500
Housing assistance payments	0	0	-138,556
Payments to employees	-296,336	-38,885	-27,205
Payments to suppliers and contractors	<u>-701,535</u>	<u>8,306</u>	<u>1,078</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 37,084</u>	<u>\$ 4,245</u>	<u>\$ -12,912</u>
 <u>Investing Activities</u>			
Investments (purchased) redeemed	\$ -23,658	\$ 0	\$ -1,859
Interest income	<u>24,276</u>	<u>0</u>	<u>2,289</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 618</u>	<u>\$ 0</u>	<u>\$ 430</u>
 <u>Capital and Related Financing Activities</u>			
HUD grants - capital	\$ 0	\$ 204,886	\$ 0
(Additions) deletions to fixed assets	<u>-25,641</u>	<u>-209,131</u>	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -25,641</u>	<u>\$ -4,245</u>	<u>\$ 0</u>
Net Change in Cash	\$ 12,061	\$ 0	\$ -12,482
Cash Balance at March 31, 2006	<u>98,272</u>	<u>0</u>	<u>21,629</u>
Cash Balance at March 31, 2007	<u><u>\$ 110,333</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 9,147</u></u>

SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA

STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED MARCH 31, 2007

<u>Reconciliation of Operating Income (Loss) to Net Cash</u> <u>Provided (Used) by Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Net operating income (loss)	\$ -484,885	\$ -6,147	\$ -16,465
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Depreciation	507,063	6,147	0
Adjustments to net assets	0	4,245	-3,533
(Increase) decrease in accounts receivable	-22,156	-4,061	0
(Increase) decrease in deferred charges	40,618	0	0
(Increase) decrease in inventory	88	0	0
(Increase) decrease in other assets	0	0	-302
Increase (decrease) in accounts payable	-5,162	4,061	7,409
Increase (decrease) in accrued liabilities	5,604	0	-21
Increase (decrease) in trust and deposit liabilities	0	0	0
Increase (decrease) in deferred revenues	-4,086	0	0
	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	<u>\$ 37,084</u>	<u>\$ 4,245</u>	<u>\$ -12,912</u>

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P034501-05**

1. The Actual Modernization Costs of Phase IN36P034501-05 are as follows:

Funds approved	\$ 352,783
Funds expended	<u>352,783</u>
Excess of Funds Approved	<u>\$ 0</u>
Funds advanced	
Project notes, non-HUD	\$ 352,783
Funds expended	<u>352,783</u>
Excess of Funds Advanced	<u>\$ 0</u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated March 20, 2007, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

# PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

## **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 the governmental activities of Sullivan Housing Authority as of and for the year ended March 31, 2007, which collectively comprise the Sullivan Housing Authority's basic financial statements and have issued my report thereon dated September 27, 2007. 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 the Sullivan Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Sullivan Housing Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employee, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sullivan Housing Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sullivan Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Sullivan Housing Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sullivan Housing Authority's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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. This report is intended solely for the information of management, the Board of Commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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, regulation, 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 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 we reported to management of Sullivan Housing Authority, in a separate letter dated September 27, 2007.

This reported in intended solely for the information of management, the Board of Commissioners, and 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.

Decatur, Illinois  
September 27, 2007

  
Certified Public Accountant

# PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD  
DECATUR, ILLINOIS 62526  
(217) 872-1908

## Report on Compliance With Requirements Applicable to 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 the compliance of Sullivan Housing Authority with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2007. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2007. However, the results of my auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

### Internal Control Over Compliance

The 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 in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Sullivan Housing Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Sullivan Housing Authority in a separate letter dated September 27, 2007.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and 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.

Decatur, Illinois  
September 27, 2007

  
Certified Public Accountant

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED MARCH 31, 2007**

Summary of Auditor's Results

Low Risk Auditee X yes        no

*Financial Statements*

Type of auditor's report: Unqualified

\* Material weakness(es) identified?        yes X no  
 \* Reportable condition(s) identified that are not  
 considered to be material weaknesses?        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  
 \* Reportable condition(s) identified that are not  
 considered to be material weaknesses?        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 Circular A-133?        yes X no

Major Programs: (Threshold \$300,000) CFDA Number(s)

Public and Indian Housing 14.850

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended March 31, 2006 contained no findings.

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**FINDINGS, RECOMMENDATIONS AND REPLIES**

There were no audit findings discussed with Mr. Donald Hunt, Executive Director, during the course of the audit or at an exit conference held September 13, 2007.

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2007**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
General fund	1111.01	\$ 360.00		1111.01
Other sundry	4190		\$ 360.00	2810.512
(To correct check #8913 being voided)				
(2)				
Administrative salaries	4110	\$ 4,984.66		2810.512
Maintenance wages	4410	5,845.28		2810.512
Accrued wages	2135		\$ 10,829.94	2135
(To record accrual for pay period 03/30/07 paid 4/4/07)				
(3)				
Maintenance supplies	4420	\$ 431.12		2810.512
Inventory - supplies	1260		\$ 431.12	1260
(To reverse out prior year's balance)				
(4)				
Accumulated depreciation	1400.05	\$ 17,220.00		1400.05
Automotive equipment	1475.07		\$ 15,498.00	1475.07
Depreciation expense	4800		1,722.00	2802.508
(To record trade-in of 2002 Mercury used when purchased for 20-06 Mercury)				
(5)				
Dwelling structures	1460	\$ 305,677.09		1460
Invested in Capital Assets	2802.508		\$ 305,677.09	2802.508
(To adjust transfers of 501-02 and include transfer of 501-04)				
(6)				
Prepaid insurance	1211	\$ 1,547.09		1211
Other income	3690		\$ 1,547.09	2810.512
(To reclassify Ins. Div. As other income D-1)				
(7)				
Miscellaneous income	3690	\$ 1,752.00		2810.512
Ordinary maintenance supplies	4420	3,305.70		2810.512
Extraordinary maintenance	4610.020	10,218.20		2810.512
Land, structures and equipment	1475.020		\$ 1,211.70	1475.020
Land, structures and equipment	1465.010		10,310.00	1465.010
Land, structures and equipment	1475.030		529.00	1475.030
Land, structures and equipment	1460		3,225.20	1460
(To reclassify expenditures per capitalization policy adopted 10/06)				
(8)				
Insurance expense	4510	\$ 16,977.85		2810.512
Prepaid insurance	1211		\$ 16,977.85	1211
(To adjust prepaid insurance to actual) D-1				

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2007  
(CONTINUED)**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Administrative salaries	4110	\$ 1,047.92		2810.002
Accrued wages	2135		\$ 1,047.92	2135
(To accrue wages for PE 03/30/07 paid 04/04/07)				
(2)				
Interest on general fund	3610	\$ 533.84		2810.002
General fund investment	1162.01		\$ 533.84	1162.01
(To correct double accrue ment of interest on CD)				
(3)				
Interest receivable	1145	\$ 302.99		1145
Interest on general fund	3610		\$ 302.99	2810.002
(To accrue interest on CD for period 02/18/07 to 03/31/07)				
(4)				
Other deferred credit	2290	\$ 500.00		2290
Miscellaneous revenue	3690		\$ 500.00	2810.002
(To adjust deferred for admin fees received from State of Indiana)				
<u>Capital Funds</u>				
(1)				
Transfers out		\$ 309,190.00		
Land, structures and equipment			\$ 309,190.00	
(To record transfer out of 501-04)				

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Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$90,033	\$9,147	\$0	\$99,180
114	Cash - Tenant Security Deposits	\$20,300	\$0	\$0	\$20,300
100	Total Cash	\$110,333	\$9,147	\$0	\$119,480
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$7,785	\$7,785
126	Accounts Receivable - Tenants - Dwelling Rents	\$143	\$0	\$0	\$143
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$0	\$302	\$0	\$302
120	Total Receivables, net of allowances for doubtful accounts	\$143	\$302	\$7,785	\$8,230
131	Investments - Unrestricted	\$480,847	\$52,393	\$0	\$533,240
142	Prepaid Expenses and Other Assets	\$48,462	\$0	\$0	\$48,462
143	Inventories	\$343	\$0	\$0	\$343
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$35,934	\$0	\$0	\$35,934
150	Total Current Assets	\$676,062	\$61,842	\$7,785	\$745,689
161	Land	\$131,925	\$0	\$0	\$131,925
162	Buildings	\$14,419,907	\$0	\$199,472	\$14,619,379
163	Furniture, Equipment & Machinery - Dwellings	\$231,404	\$0	\$14,538	\$245,942
164	Furniture, Equipment & Machinery - Administration	\$478,201	\$0	\$28,488	\$506,689
165	Leasehold Improvements	\$235,765	\$0	\$13,285	\$249,050
166	Accumulated Depreciation	\$-7,891,592	\$0	\$-6,147	\$-7,897,739
167	Construction In Progress	\$0	\$0	\$17,736	\$17,736
160	Total Fixed Assets, Net of Accumulated Depreciation	\$7,605,610	\$0	\$267,372	\$7,872,982
180	Total Non-Current Assets	\$7,605,610	\$0	\$267,372	\$7,872,982
190	Total Assets	\$8,281,672	\$61,842	\$275,157	\$8,618,671

PHA: IN034 FYED: 03/31/2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
312	Accounts Payable <= 90 Days	\$2,584	\$0	\$0	\$2,584
321	Accrued Wage/Payroll Taxes Payable	\$4,389	\$1,048	\$0	\$5,437
322	Accrued Compensated Absences - Current Portion	\$19,540	\$1,639	\$0	\$21,179
333	Accounts Payable - Other Government	\$33,974	\$0	\$0	\$33,974
341	Tenant Security Deposits	\$20,300	\$0	\$0	\$20,300
342	Deferred Revenues	\$35,430	\$0	\$0	\$35,430
347	Interprogram Due To	\$0	\$28,149	\$7,785	\$35,934
310	Total Current Liabilities	\$116,217	\$30,836	\$7,785	\$154,838
350	Total Noncurrent Liabilities	\$0	\$0	\$0	\$0
300	Total Liabilities	\$116,217	\$30,836	\$7,785	\$154,838
508	Total Contributed Capital	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$7,605,610	\$0	\$267,372	\$7,872,982
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$559,845	\$31,006	\$0	\$590,851
513	Total Equity/Net Assets	\$8,165,455	\$31,006	\$267,372	\$8,463,833
600	Total Liabilities and Equity/Net Assets	\$8,281,672	\$61,842	\$275,157	\$8,618,671

PHA: IN034 FYED: 03/31/2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$555,640	\$0	\$0	\$555,640
704	Tenant Revenue - Other	\$297	\$0	\$0	\$297
705	Total Tenant Revenue	\$555,937	\$0	\$0	\$555,937
706	HUD PHA Operating Grants	\$444,452	\$162,091	\$38,885	\$645,428
706.1	Capital Grants	\$0	\$0	\$204,886	\$204,886
711	Investment Income - Unrestricted	\$24,276	\$2,289	\$0	\$26,565
715	Other Revenue	\$34,682	\$500	\$0	\$35,182
700	Total Revenue	\$1,059,347	\$164,880	\$243,771	\$1,467,998

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Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$129,589	\$27,246	\$38,885	\$195,720
912	Auditing Fees	\$3,300	\$0	\$0	\$3,300
914	Compensated Absences	\$2,896	\$-62	\$0	\$2,834
915	Employee Benefit Contributions - Administrative	\$51,792	\$13,291	\$0	\$65,083
916	Other Operating - Administrative	\$55,527	\$0	\$0	\$55,527
924	Tenant Services - Other	\$8,057	\$0	\$0	\$8,057
931	Water	\$81,444	\$0	\$0	\$81,444
932	Electricity	\$103,379	\$0	\$0	\$103,379
933	Gas	\$16,006	\$0	\$0	\$16,006
938	Other Utilities Expense	\$15,325	\$0	\$0	\$15,325
941	Ordinary Maintenance and Operations - Labor	\$163,670	\$0	\$0	\$163,670
942	Ordinary Maintenance and Operations - Materials and Other	\$46,271	\$0	\$0	\$46,271
943	Ordinary Maintenance and Operations - Contract Costs	\$106,643	\$0	\$0	\$106,643
945	Employee Benefit Contributions - Ordinary Maintenance	\$75,644	\$0	\$0	\$75,644
961	Insurance Premiums	\$95,305	\$0	\$0	\$95,305
962	Other General Expenses	\$0	\$25	\$0	\$25
963	Payments in Lieu of Taxes	\$33,978	\$0	\$0	\$33,978
964	Bad Debt - Tenant Rents	\$-515	\$0	\$0	\$-515
969	Total Operating Expenses	\$988,311	\$40,500	\$38,885	\$1,067,696
970	Excess Operating Revenue over Operating Expenses	\$71,036	\$124,380	\$204,886	\$400,302
971	Extraordinary Maintenance	\$12,216	\$0	\$0	\$12,216
972	Casualty Losses - Non-Capitalized	\$12,366	\$0	\$0	\$12,366
973	Housing Assistance Payments	\$0	\$138,556	\$0	\$138,556
974	Depreciation Expense	\$507,063	\$0	\$6,147	\$513,210
900	Total Expenses	\$1,519,956	\$179,056	\$45,032	\$1,744,044
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$-460,609	\$-14,176	\$198,739	\$-276,046

PHA: IN034 FYED: 03/31/2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$7,620,567	\$48,715	\$1,069,885	\$8,739,167
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$1,005,497	\$-3,533	\$-1,001,252	\$712
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0
1120	Unit Months Available	3,060	554	0	3,614
1121	Number of Unit Months Leased	2,776	549	0	3,325
1117	Administrative Fee Equity	\$0	\$23,048	\$0	\$23,048
1118	Housing Assistance Payments Equity	\$0	\$7,958	\$0	\$7,958

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