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

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

November 13, 2019

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

We have reviewed the audit report prepared by Barry E. Gaudette, CPA, Independent Public Accountant, for the period April 1, 2018 to March 31, 2019. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Sullivan Housing Authority, as of March 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**SULLIVAN HOUSING AUTHORITY  
SULLIVAN COUNTY, INDIANA  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2019  
AND  
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

**SULLIVAN HOUSING AUTHORITY**  
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**MARCH 31, 2019**

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## INTRODUCTION

***Independent Auditor's Report***

Board of Commissioners  
Sullivan Housing Authority  
Sullivan County, Indiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Sullivan Housing Authority, Indiana, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Sullivan Housing Authority, Indiana basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Sullivan Housing Authority, Indiana as of March 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sullivan Housing Authority's basic financial statements. The financial data schedule shown on pages 25 to 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The financial data schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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*, we have also issued our report dated October 11, 2019, on our consideration of the Sullivan Housing Authority, Indiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 Sullivan Housing Authority, Indiana'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 the Sullivan Housing Authority, Indiana's internal control over financial reporting and compliance.

*Barry E. Gaudette, CPA, PC*

October 11, 2019

**Sullivan Housing Authority**  
**Management's Discussion and Analysis (MD&A)**  
**March 31, 2019**  
**(Unaudited)**

As management of the Sullivan Housing Authority, we offer reviewers of this audit report this narrative discussion and analysis of the Sullivan Housing Authority's financial activities for the fiscal year ended March 31, 2019. This discussion and analysis letter of the Sullivan Housing Authority's financial performance should be read in conjunction with the auditor's opinion letter and the following financial statements.

The combined financial statements reflect all of the Housing Authority's federally funded programs and activities in one place. The Housing Authority reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" – activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

**FINANCIAL HIGHLIGHTS**

The term "net position" refers to the difference between assets and liabilities. The Housing Authority's total net position as of March 31, 2019 was \$5,652,581. The net position increased by \$48,861, an increase of 0.8% over the prior fiscal year.

Revenues and contributions for the Housing Authority were \$1,861,649 for the year ended March 31, 2019. This was an increase of \$612,124 or 49.0% over the prior fiscal year.

Expenses for the Housing Authority were \$1,797,078 for the year ended March 31, 2019. This was an increase of \$144,467 or 8.7% over the prior fiscal year.

HUD operating grants were \$532,271 for the year ended March 31, 2019. This was an increase of \$138,054 or 35.0% over the prior fiscal year. The capital grants were \$500,711 for the year ended March 31, 2019, an increase of \$407,322 or 436.2% over the prior fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Housing Authority's financial statements are presented as fund financial statements because the Housing Authority only has proprietary funds.

**Sullivan Housing Authority**  
**Management's Discussion and Analysis (MD&A)**  
**March 31, 2019**  
**(Continued)**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

*Required Financial Statements*

The *Statement of Net Position* includes the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Housing Authority creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Housing Authority.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

*Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

*Supplemental Information*

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Authorities to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**FUND STATEMENTS**

The Financial Data Schedule reports the Housing Authority's operations in more detail. The Housing Authority reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Sullivan Housing Authority**  
**Management's Discussion and Analysis (MD&A)**  
**March 31, 2019**  
**(Continued)**

**FUND STATEMENTS (Continued)**

*Low Rent Public Housing Program:* Under this program, the Housing Authority rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Authority to lease these units at a rate that is based on 30% of monthly adjusted income, or 10% of monthly income, or a \$50.00 monthly minimum rent, or a flat rent.

*Capital Fund Program:* Under this program, the Housing Authority is awarded funds each year to use for Capital needs. The Housing Authority also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies, since the Housing Authority is considered a "small" PHA. This program is the primary funding source for physical improvements to its properties.

**FINANCIAL ANALYSIS**

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$5,652,581 at the close of the year ended March 31, 2019 an increase from \$5,603,720 in the year ended March 31, 2018.

The unrestricted net position was \$445,248 as of March 31, 2019, which can be used to meet the Housing Authority's ongoing obligations. The Housing Authority had no net position classified as restricted. At the end of the current fiscal year, the Housing Authority is able to report positive balances in all categories of net position.

**Sullivan Housing Authority**  
**Management's Discussion and Analysis (MD&A)**  
**March 31, 2019**  
**(Continued)**

**FINANCIAL ANALYSIS (Continued)**

**CONDENSED STATEMENTS OF NET POSITION**

	<u>03/31/19</u>	<u>03/31/18</u>	<u>Dollar Change</u>
Current and other assets	\$ 616,885	\$ 488,008	\$ 128,877
Capital assets, net	<u>5,207,333</u>	<u>5,309,665</u>	<u>(102,332)</u>
Total Assets	<u>5,824,218</u>	<u>5,797,673</u>	<u>26,545</u>
Current liabilities	<u>171,637</u>	<u>193,953</u>	<u>(22,316)</u>
Total Liabilities	<u>171,637</u>	<u>193,953</u>	<u>(22,316)</u>
Net Position:			
Net Investment in capital assets	5,207,333	5,309,665	(102,332)
Unrestricted net position	<u>445,248</u>	<u>294,055</u>	<u>151,193</u>
Total Net Position	<u>\$ 5,652,581</u>	<u>\$ 5,603,720</u>	<u>\$ 48,861</u>

Total current assets increase of \$128,877 was due, in large part, to an increase in cash flow of \$97,276 and an increase in AR-HUD of \$51,251.

Current liabilities decreased by \$(22,316), in large part, due to accrued liabilities decreasing by \$(29,254), A/P trade decreasing by \$(20,571), partially offset by an increase in bank overdraft of \$18,385.

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

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

**Sullivan Housing Authority**  
**Management's Discussion and Analysis (MD&A)**  
**March 31, 2019**  
**(Continued)**

**FINANCIAL ANALYSIS (Continued)**

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

	<u>03/31/19</u>	<u>03/31/18</u>	<u>Dollar Change</u>
<b>Revenues and contributions</b>			
Operating, non operating, capital contributions:			
Tenant revenue	\$ 742,624	\$ 727,961	\$ 14,663
Tenant revenue – other	1,771	1,070	701
<b>Total Tenant revenue</b>	<u>744,395</u>	<u>729,031</u>	<u>15,364</u>
HUD operating grants	532,271	394,217	138,054
Capital grants	500,711	93,389	407,322
Investment income	6,715	1,696	5,019
Other revenue	77,557	31,192	46,365
<b>Total Revenues and Contributions</b>	<u>1,861,649</u>	<u>1,249,525</u>	<u>612,124</u>
<b>Expenses</b>			
Personnel services	461,167	457,515	3,652
Tenant services	6,290	1,893	4,397
Utilities	333,631	314,770	18,861
Maintenance	206,551	204,500	2,051
Insurance	98,605	109,884	(11,279)
General expenses	101,956	126,033	(24,077)
Depreciation	588,878	438,016	150,862
<b>Total Expenses</b>	<u>1,797,078</u>	<u>1,652,611</u>	<u>144,467</u>
Change in net position	64,571	(403,086)	467,657
Beginning net position	5,603,720	5,995,615	(391,895)
Prior period adjustment	(15,710)	11,191	(26,901)
Ending position	<u>\$ 5,652,581</u>	<u>\$ 5,603,720</u>	<u>\$ 48,861</u>

*Revenues:*

As can be seen in the above table total revenues and contributions increased by \$612,124 in large part, due to capital grants increasing by \$407,322, operating grants increasing by \$138,054, and other revenue increasing by \$46,365.

**Sullivan Housing Authority  
Management's Discussion and Analysis (MD&A)  
March 31, 2019  
(Continued)**

**FINANCIAL ANALYSIS (Continued)**

Sullivan Housing Authority's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. For the year ending March 31, 2019, revenue generated by the Housing Authority accounted for \$744,395 (or 39.9% of total revenue), while HUD contributions accounted for \$1,032,982 (or 55.4% of total revenue).

*Expenses:*

Total expenses for the year ending March 31, 2019 were \$1,797,078 while for the year ending March 31, 2018 the expenses were \$1,652,611. This represents an 8.7% increase in our operating costs.

The following represents changes in Federal Assistance received:

	<u>03/31/19</u>	<u>03/31/18</u>	<u>Dollar Change</u>
Public Housing Operating Subsidy	\$ 385,696	\$ 363,504	\$ 22,192
Capital Fund Program	<u>647,286</u>	<u>124,102</u>	<u>523,184</u>
Total	<u>\$ 1,032,982</u>	<u>\$ 487,606</u>	<u>\$ 545,376</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Public Housing increased mainly due to HUD increasing its funding formula amount for the Housing Authority. The increase in the Capital Fund Program was due to the CFP grants received this fiscal year was more than one year's grant where in the prior fiscal year the grant received was less than one fiscal year.

*Budget Analysis:*

A Low Rent Public Housing Operating Budget for the fiscal year ending March 31, 2019 was presented to and approved by the Board of Commissioners. Actual results were in line with the budgeted amounts.

**Sullivan Housing Authority  
Management's Discussion and Analysis (MD&A)  
March 31, 2019  
(Continued)**

**OPERATIONAL HIGHLIGHTS**

The Sullivan Housing Authority provided the following housing for low-income individuals and families:

	03/31/19	03/31/18
Low Rent Public Housing Program	255	255

The Housing Authority had a lease up rate of 91.3% in the Low Rent program for the fiscal year.

**CAPITAL ASSETS**

The Sullivan Housing Authority's investment in capital assets, as of March 31, 2019 amounts to \$5,207,333 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS  
NET OF ACCUMULATED DEPRECIATION  
March 31,**

	2019	2018	Dollar Change
Land	\$ 131,925	\$ 131,925	\$ 0
Buildings	17,447,405	17,919,027	(471,622)
Furniture, equipment and machinery			
- dwellings	653,910	202,913	450,997
Furniture, equipment and machinery			
- administration	110,546	200,211	(89,665)
Construction in progress	780,338	288,792	491,546
	19,124,124	18,742,868	381,256
Accumulated depreciation	(13,916,791)	(13,433,203)	(483,588)
Total	\$ 5,207,333	\$ 5,309,665	\$ (102,332)

Capital assets decreased by \$(102,332) because of the capital outlays of \$381,256, depreciation expense of \$(588,878), and an adjustment to accumulated depreciation of \$105,290.

The Housing Authority had concrete work done at Parkview Terrace, a new patio built at Sunrise Towers, ten PTAC units for Sunrise Towers and Sullivan Manor, roof repairs caused by wind damage, and new zero entry showers.

**Sullivan Housing Authority  
Management's Discussion and Analysis (MD&A)  
March 31, 2019  
(Continued)**

**CAPITAL ASSETS (CONTINUED)**

Capital projects planned for the next year include the following:

The planned capital expenditures for the next year include ongoing operations, new computers and security camera systems, new roofing, gutters, and soffits at Sullivan Manor, Parkview, Court Plaza, and Sunrise Towers, as well as new landscaping and sidewalks at all locations.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Housing Authority is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Authority is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Authority remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known 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).

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Toni Anderson, Executive Director  
Sullivan Housing Authority  
200 Sunrise Towers  
Sullivan, Indiana 47882

## **FINANCIAL STATEMENTS**

**Sullivan Housing Authority  
Statement of Net Position  
March 31, 2019**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 519,926
Accounts receivable- net	60,557
Prepaid expenses	36,402
Total Current Assets	616,885

Capital Assets:

Land	131,925
Buildings	17,447,405
Equipment	764,456
Construction in progress	780,338
	19,124,124
Less: accumulated depreciation	(13,916,791)
Net Capital Assets	5,207,333

Total Assets	\$ 5,824,218
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**LIABILITIES and NET POSITION**

Current Liabilities:

Accounts payable	\$ 40,970
Bank overdraft	18,385
Accrued expenses	41,348
Tenant security deposit liability	67,506
Unearned revenue	3,428
Total Current Liabilities	171,637

Total Liabilities	171,637
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Net Position:

Net investment in capital assets	5,207,333
Unrestricted net position	445,248
Total Net Position	5,652,581

Total Liabilities and Net Position	\$ 5,824,218
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See notes to financial statements

**Sullivan Housing Authority  
Statement of Revenues, Expenses, And  
Changes in Net Position  
Year Ended March 31, 2019**

<b>OPERATING REVENUES:</b>		\$ 744,395
Dwelling rent		532,271
Operating grants		<u>532,271</u>
Total operating revenues		<u>1,276,666</u>
 <b>OPERATING EXPENSES:</b>		
Administrative		317,287
Tenant services		6,290
Utilities		333,631
Maintenance		412,429
Insurance		98,605
General expenses		39,958
Depreciation		<u>588,878</u>
Total operating expenses		<u>1,797,078</u>
Operating income (loss)		<u>(520,412)</u>
 <b>NONOPERATING REVENUES:</b>		
Investment income		6,715
Other revenue		<u>77,557</u>
Total non operating revenues		<u>84,272</u>
 <b>CAPITAL CONTRIBUTIONS</b>		<u>500,711</u>
Change in net position		64,571
Net position, beginning		5,603,720
Prior period adjustment		<u>(15,710)</u>
Net position, ending		<u>\$ 5,652,581</u>

See notes to financial statements

**Sullivan Housing Authority  
Statement of Cash Flows  
Year Ended March 31, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and non dwelling rents	\$	741,703
Cash received from operating grants		481,020
Cash payments to other suppliers of goods and services		(772,286)
Cash payments to employees for services		(450,957)
Payments in lieu of taxes		(3,338)
		(3,338)
Net cash (used) by operating activities		(3,858)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Tenant security deposits		2,697
		2,697
Net cash provided by noncapital financing activities		2,697

**CASH FLOW FROM CAPITAL AND RELATED FINANCING**

Payments for capital acquisitions		(486,546)
Capital Grants		500,711
		500,711
Net cash provided by capital and related financing activities		14,165

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Other revenue		77,557
Receipts of interest income		6,715
		6,715
Net cash provided by investing activities		84,272

Net increase (decrease) in cash		97,276
Cash and cash equivalents, beginning		422,650
		422,650
Cash and cash equivalents, ending	\$	519,926

See notes to financial statements

**Sullivan Housing Authority**  
**Statement of Cash Flows (Continued)**  
**Year Ended March 31, 2019**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	\$	(520,412)
Adjustments to reconcile operating (loss) to net cash provided (used)		
By operating activities:		
Depreciation		588,878
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants		(2,352)
Accounts receivable-HUD		(51,251)
Accounts receivable-other		105
Prepaid expenses		6,187
Increase (decrease) in liabilities:		
Bank overdraft		18,385
Accounts payable-trade		(20,571)
Accounts payable-other government		(3,338)
Accrued wages/payroll taxes payable		10,624
Accrued compensated absences		(414)
Accrued liabilities-other		(29,254)
Unearned revenue		(445)
		<hr/>
Net cash (used) by operating activities	\$	<u>(3,858)</u>

See notes to financial statements

**Sullivan Housing Authority**  
**Notes to Financial Statements**  
**March 31, 2019**

**NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Sullivan Housing Authority (“Housing Authority”) is an independent municipal entity created by the City of Sullivan pursuant to Indiana state law and the National Housing Act of 1937. Although the Housing Authority maintains close ties with the City of Sullivan in several respects, the Housing Authority is not a component unit of the City, as defined by the Governmental Accounting Standards Board, since the City is not financially accountable for the operations of the Housing Authority, and has no responsibility to fund its deficits or receive its surpluses. The Housing Authority operates under a Board of Commissioner form of government to provide safe and decent housing for eligible low and moderate income families and elderly individuals. The Board is comprised of five members, all County of Sullivan residents, appointed by the City Board. The Board appoints an Executive Director who acts as the Secretary of the Housing Authority.

1. Reporting Entity

The Housing Authority’s financial statements include the accounts of all of the Housing Authority’s operations. The Housing Authority maintains its accounting records by program and operates the following programs:

**Low Income Public Housing**

This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Housing Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and/or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Housing Authority receives grants from HUD to subsidize operating costs. Tenants are charged rents based on a percentage of their incomes. HUD subsidizes 255 federal public housing units through this program.

**Public Housing Capital Fund**

HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Housing Authority under the Low Income Public Housing Program. A designated portion of these funds may also be used to support operations and to make improvements in the management and operation of the Housing Authority’s Low Income Public Housing Program.

**NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

1. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government. When applicable, interfund activity has been eliminated in the preparation of these statements.

The Housing Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund.

2. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Housing Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the nonoperating revenue and expense.

If/when, both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4. Budgets and Budgetary Accounting

The Housing Authority adopts a formal operating budget each year for its operating programs and on a project-length basis for its capital expenditures, which are approved by the board of Commissioners and submitted to the U.S. Department of Housing and Urban Development for their approval, if required.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts, certificate of deposits, and money market accounts. The cash equivalents are recorded at cost, which approximates market.

6. Tenant Accounts Receivable and Allowance for Bad Debts

Tenant accounts receivable are stated at net rent amounts. Tenant accounts generally are collectible as long as the tenant is occupying the unit; thus, no allowance for bad debts has been established by management. When the tenant vacates the unit, any unpaid balance remaining after application of the security deposit and after procedures have been followed to recover outstanding amounts, is charged as a reduction of rental revenue.

7. 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.

8. Compensated Absences

Housing Authority employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days according to contract or personnel policies. In the event of termination by retirement or death, an employee is paid for accumulated sick days according to contract or personnel policies.

9. Inter-Program Activity

During the course of operations, transactions occur within individual programs that may result in amounts owed or transfers between programs. Offsetting inter-program receivables and payables as well as offsetting inter-program transfers are eliminated for financial statement presentation. For the year ended March 31, 2019, there were no inter-program receivables and payable, but there was an operating transfer of \$116,782 and an equity transfer of \$500,711 from the capital fund program to the low rent program.

**NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

10. Buildings and Equipment

Buildings and equipment are recorded at historical cost. Costs in excess of \$1,000 that materially add to the productive capacity and extend the life of an asset longer than one year are capitalized, while maintenance and repair costs are expensed as incurred. Buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20	-	40 years
Building improvements	7	-	20 years
Site improvements	5	-	20 years
Equipment and furnishings	3	-	10 years

Land and land improvements include approximately \$131,925 of capitalized land that is not subject to depreciation.

11. Income Taxes

The Housing Authority is a quasi-governmental entity. The Housing Authority is not subject to Federal or State income taxes.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

13. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will, when applicable, report separate sections for deferred outflows or resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources* a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Housing Authority does not have any items that qualifies for reporting in these categories.

**NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

14. Unearned Revenue

The Housing Authority reports unearned revenue in connection with resources that have been received, but not yet earned.

15. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

16. Net Position

Net positions are comprised of three categories (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The Housing Authority's positive value of unrestricted net position in the primary government may be used to meet ongoing obligations. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Housing Authority's policy is to first apply restricted resources. Each component of net position is reported separately on the statement of net position.

- i. Net Investment in capital assets – This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- ii. Restricted – This category equals the restricted cash of the Housing Authority and consists of net position restricted for use by (1) external groups such as grantors, creditors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- iii. Unrestricted – This category includes all of the remaining net position that do not meet the definition of the other two categories.

17. Subsequent Events

The financial statements and related disclosures include evaluation of events through and including October 11, 2019, which is the date the financial statements were available to be issued.

**NOTE B: CASH AND CASH EQUIVALENTS**

Indiana Code authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Indiana. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Indiana or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Indiana.

The Housing Authority has designated two banks for the deposit of its funds. The deposits are included on the balance sheet under the classification cash and cash equivalents and consist of the following:

Cash – operations	\$	202,157
Money market account		149,259
Certificate of deposit		<u>168,510</u>
Total	\$	<u>519,926</u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of March 31, 2019:

Bank deposits (checking, certificate of deposit, money market accounts)	\$	519,826
Petty cash		<u>100</u>
Total	\$	<u>519,926</u>

**Custodial Credit Risk of Bank Deposits** – Custodial credit risk is the risk that in the event of a bank failure, Sullivan Housing Authority's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk. At year end, the Housing Authority had no bank deposits (checking accounts) that were uninsured and uncollateralized. The Housing Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Housing Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2019, was as follows:

	<b>Balance 03/31/18</b>	<b>Additions/ Transfers</b>	<b>Retirements/ Transfers</b>	<b>Balance 03/31/19</b>
<b>Low Rent Program</b>				
Land	\$ 131,925	\$ 0	\$ 0	\$ 131,925
Buildings	17,919,027	0	(471,622)	17,447,405
Furniture, equipment & machinery - dwellings	202,913	450,997	0	653,910
Furniture, equipment & machinery - administration	200,211	0	(89,665)	110,546
Construction in progress	288,792	491,546	0	780,338
	<u>18,742,868</u>	<u>\$ 942,543</u>	<u>\$ (561,287)</u>	<u>19,124,124</u>
Less accumulated depreciation	<u>(13,433,203)</u>	<u>\$ (588,878)</u>	<u>\$ 105,290</u>	<u>(13,916,791)</u>
Total	<u>\$ 5,309,665</u>			<u>\$ 5,207,333</u>

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:

Low Rent Program

\$ 588,878

**NOTE D: COMMITMENTS AND CONTINGENCIES**

**Commitments – Construction**

At March 31, 2019, the Housing Authority had the following capital fund grants:

	<u>IN36P034501-15</u>	<u>IN36P034501-16</u>
Funds Approved	\$ 274,982	\$ 308,934
Funds Expended	(274,982)	(308,934)
Excess of Funds Approved	<u>\$ 0</u>	<u>\$ 0</u>
Funds Advanced (HUD Grants)	\$ 274,982	\$ 308,934
Funds Expended	(274,982)	(308,934)
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>
	<u>IN36P034501-17</u>	<u>IN36P034501-18</u>
Funds Approved	\$ 333,707	\$ 479,115
Funds Expended	(251,086)	(128,113)
Excess of Funds Approved	<u>\$ 82,621</u>	<u>\$ 351,002</u>
Funds Advanced (HUD Grants)	\$ 251,086	\$ 128,113
Funds Expended	(251,086)	(128,113)
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>

The audited costs for the 2015 and 2016 CFP agree with the costs in the accounting records.

**Contingencies**

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

**NOTE E: RISK MANAGEMENT**

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Authority manages these various risks of loss as follows: Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**NOTE F: PRIOR PERIOD ADJUSTMENTS**

The prior period adjustment was to adjust amortization of prepaid insurance in the amount of \$(15,710).

## **OTHER INFORMATION**

**Sullivan Housing Authority  
Schedule of Expenditures of Federal Awards  
And Notes to the Schedule of Federal Awards  
Year Ended March 31, 2019**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Federal Grantor</u>	<u>Type</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
<u>U.S. Department of HUD</u>			
<b>Public and Indian Housing:</b>			
Public Housing Capital Fund Program	A – Major	14.872	\$ 647,286
<b>Low Rent Public Housing</b>	B – Nonmajor	14.850	385,696
			<hr/>
Total Federal Financial Awards			<u>\$ 1,032,982</u>
<b>Threshold for Type A/Type B Program</b>			<u>\$ 750,000</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**Basis of Accounting** - - The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Housing Authority under programs of the federal government for the year ended March 31, 2019. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of the Uniform Guidance, Audit of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Because the Schedule presents only a selected portion of the operations of the Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the Housing Authority.

**Indirect Cost Rate** - - The Authority did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Sullivan Housing Authority  
Financial Data Schedule  
Year Ended March 31, 2019**

FDS Line Item No.		Low Rent Program <u>14,850</u>
	<b>ASSETS</b>	
	Current assets:	
111	Cash-unrestricted	\$ 448,992
114	Cash-tenant security deposits	67,506
115	Cash-restricted for payment of current liabilities	<u>3,428</u>
100	Total cash	<u>519,926</u>
	Receivables:	
122	A/R-HUD other projects	52,902
126	A/R-tenants	<u>7,655</u>
120	Total receivables, net	<u>60,557</u>
	Other Current Assets:	
142	Prepaid expenses	<u>36,402</u>
150	Total current assets	<u>616,885</u>
	Noncurrent Assets:	
	Fixed Assets:	
161	Land	131,925
162	Buildings	17,447,405
163	Furn, equip & mach-dwell	653,910
164	Furn, equip & mach-admin	110,546
166	Accumulated depreciation	(13,916,791)
167	Construction in progress	<u>780,338</u>
160	Total fixed assets, net	<u>5,207,333</u>
180	Total non-current assets	<u>5,207,333</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 5,824,218</u>

**Sullivan Housing Authority  
Financial Data Schedule  
(Continued)  
Year Ended March 31, 2019**

FDS Line Item No.		Low Rent Program 14.850
	<b>LIABILITIES and NET POSITION</b>	
	Current liabilities:	
311	Bank overdraft	\$ 18,385
321	Accrued wage/payroll taxes payable	24,142
322	Accrued compensated absences	17,206
333	Accounts payable – other government	40,970
341	Tenant security deposits	67,506
342	Unearned revenue	3,428
310	Total current liabilities	<u>171,637</u>
300	Total liabilities	<u>171,637</u>
	Net Position:	
508.4	Net investment in capital assets	5,207,333
512.4	Unrestricted net position	445,248
513	Total net position	<u>5,652,581</u>
600	Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,824,218</u>

**Sullivan Housing Authority**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended March 31, 2019**

FDS Line Item No.		Low Rent Program 14.850	Capital Fund Program 14.872	Totals
	<b>Revenues</b>			
70300	Net tenant rental revenue	\$ 742,624	\$ 0	\$ 742,624
70400	Tenant revenue-other	1,771	0	1,771
70500	Total tenant revenue	744,395	0	744,395
70600	HUD PHA operating grants	385,696	146,575	532,271
70610	Capital grants	0	500,711	500,711
71100	Investment income-unrestricted	6,715	0	6,715
71500	Other revenue	77,557	0	77,557
70000	Total revenue	<u>1,214,363</u>	<u>647,286</u>	<u>1,861,649</u>
	<b>Expenses</b>			
	Administrative:			
91100	Administrative salaries	176,168	25,293	201,461
91200	Auditing fees	6,500	0	6,500
91400	Advertising and marketing	3,851	0	3,851
91500	Employee benefit contributions	53,828	0	53,828
91600	Office expenses	24,235	0	24,235
91700	Legal expenses	1,005	0	1,005
91800	Travel	542	0	542
91900	Other	25,865	0	25,865
91000	Total operating-administrative	<u>291,994</u>	<u>25,293</u>	<u>317,287</u>
	Tenant services:			
92400	Tenant services-other	6,290	0	6,290
92500	Total tenant services	<u>6,290</u>	<u>0</u>	<u>6,290</u>
	Utilities:			
93100	Water	44,595	0	44,595
93200	Electricity	141,981	0	141,981
93300	Gas	15,938	0	15,938
93600	Sewer	117,370	0	117,370
93800	Other utilities expense	13,747	0	13,747
93000	Total utilities	<u>333,631</u>	<u>0</u>	<u>333,631</u>
	Ordinary maintenance and operations:			
94100	Labor	158,210	0	158,210
94200	Materials and other	58,035	0	58,035
94300	Contracts	148,516	0	148,516
94500	Employee benefit contributions	47,668	0	47,668
94000	Total maintenance	<u>412,429</u>	<u>0</u>	<u>412,429</u>

**Sullivan Housing Authority**  
**Financial Data Schedule**  
(Continued)  
**Year Ended March 31, 2019**

FDS Line Item No.		Low Rent Program 14.850	Capital Fund Program 14.872	Totals
	<b>Expenses (continued)</b>			
	Insurance:			
96110	Property insurance	57,395	0	57,395
96120	Liability insurance	25,213	0	25,213
96130	Workmen's compensation	7,818	0	7,818
96140	All other insurance	8,179	0	8,179
96100	Total insurance premiums	<u>98,605</u>	<u>0</u>	<u>98,605</u>
	Other general expenses:			
96200	Other	0	4,500	4,500
96210	Compensated absences	(414)	0	(414)
96300	Payments in lieu of taxes	35,872	0	35,872
96000	Total other general expenses	<u>35,458</u>	<u>4,500</u>	<u>39,958</u>
96900	Total operating expenses	<u>1,178,407</u>	<u>29,793</u>	<u>1,208,200</u>
97000	Excess revenue over operating expenses	<u>35,956</u>	<u>617,493</u>	<u>653,449</u>
	Other Expenses:			
97400	Depreciation expense	588,878	0	588,878
	Total other expense	<u>588,878</u>	<u>0</u>	<u>588,878</u>
90000	Total expenses	<u>1,767,285</u>	<u>29,793</u>	<u>1,797,078</u>
	Other Financing Sources (Uses):			
10010	Operating transfers in	116,782	0	116,782
10020	Operating transfers out	0	(116,782)	(116,782)
10100	Total other financing sources (uses)	<u>116,782</u>	<u>(116,782)</u>	<u>0</u>
10000	Excess(deficiency) of revenue over(under) expenses	(436,140)	500,711	64,571
11040	Equity transfer in (out)	500,711	(500,711)	0
11030	Beginning net position	5,603,720	0	5,603,720
11040	Prior period adjustment	(15,710)	0	(15,710)
	Ending net position	<u>\$ 5,652,581</u>	<u>\$ 0</u>	<u>\$ 5,652,581</u>
11190	Unit months available	2,964		
11210	Unit months leased	2,707		

**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***

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

We 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 Sullivan Housing Authority, Indiana, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Sullivan Housing Authority, Indiana's basic financial statements, and have issued our report thereon dated October 11, 2019.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sullivan Housing Authority, Indiana's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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.

*Barry E. Gaudette, CPA, PC*

October 11, 2019

**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control over Compliance Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Sullivan Housing Authority, Indiana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Sullivan Housing Authority, Indiana's major federal programs for the year ended March 31, 2019. Sullivan Housing Authority, Indiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Sullivan Housing Authority, Indiana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sullivan Housing Authority, Indiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Sullivan Housing Authority, Indiana's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Sullivan Housing Authority, Indiana, 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, 2019.

### **Report on Internal Control over Compliance**

Management of the Sullivan Housing Authority, Indiana, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sullivan Housing Authority, Indiana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sullivan Housing Authority, Indiana's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

***Barry E. Gaudette, CPA, PC***

October 11, 2019

**Sullivan Housing Authority  
Status of Prior Audit Findings  
March 31, 2019**

There were no prior year findings.

**Sullivan Housing Authority**  
**Schedule of Findings and Questioned Costs**  
**March 31, 2019**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? none reported

Noncompliance material to financial statements noted? No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? none reported

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

Any audit findings disclosed that are required to be reported in accordance with *Audit Requirements for Federal Awards* (Uniform Guidance)? No

Identification of major programs;

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
14.872	Public Housing Capital Fund Program

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

Auditee qualified as low-risk auditee? Yes

**Section II - Findings Related to the Financial Statements**

There were no findings which are required to be reported under *Government Auditing Standards*.

**Section III - Findings and Questioned Costs for Federal Awards**

There were no findings or questioned costs.

To the Board of Commissioners  
Sullivan Housing Authority

731 South Garfield Avenue  
Traverse City, Michigan 49686  
Work (231) 946-8930  
Cell (231) 409-7526  
Fax (231) 946-1377

We have audited the financial statements of the business-type activities of the Sullivan Housing Authority for the year ended March 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 6, 2018. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Sullivan Housing Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2019. We noted no transactions entered into by the Sullivan Housing Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no major sensitive estimates affecting the Sullivan Housing Authority's financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements noted during the audit.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 11, 2019.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Sullivan Housing Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Sullivan Housing Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. During the audit, we made one adjustment to correct prepaid insurance. We also made a recommendation to use a form 9886 instead of a form 9887 for the privacy act.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Matters (Continued)

We were engaged to report on the financial data schedule and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Commissioners and management of the Sullivan Housing Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Barry E. Gaudette, CPA*