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October 23, 2020

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

We have reviewed the audit report of the Sullivan Housing Authority, which was opined upon by Barry E. Gaudette, CPA, Independent Public Accountant, for the period April 1, 2019 to March 31, 2020. 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, 2020 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, 2020
AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

**SULLIVAN HOUSING AUTHORITY
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MARCH 31, 2020**

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INTRODUCTION

Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

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, 2020, 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, 2020, 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 15, 2020, 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 15, 2020

Sullivan Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2020
(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, 2020. 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, 2020 was \$5,482,562. The net position decreased by \$170,019, a decrease of 3.0% from the prior fiscal year.

Revenues and contributions for the Housing Authority were \$2,050,785 for the year ended March 31, 2020. This was an increase of \$189,136 or 10.1% over the prior fiscal year.

Expenses for the Housing Authority were \$2,220,804 for the year ended March 31, 2020. This was an increase of \$423,726 or 23.5% over the prior fiscal year.

HUD operating grants were \$736,915 for the year ended March 31, 2020. This was an increase of \$204,644 or 38.4% over the prior fiscal year. The capital grants were \$591,316 for the year ended March 31, 2020, an increase of \$90,605 or 18.1% 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, 2020
(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, 2020
(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 \$5,482,562 at the close of the year ended March 31, 2020 an increase from \$5,652,581 in the year ended March 31, 2019.

The unrestricted net position was \$371,548 as of March 31, 2020, 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, 2020
(Continued)

FINANCIAL ANALYSIS (Continued)

CONDENSED STATEMENTS OF NET POSITION

	<u>03/31/20</u>	<u>03/31/19</u>	<u>Dollar Change</u>
Current and other assets	\$ 520,920	\$ 616,885	\$ (95,965)
Capital assets, net	5,111,014	5,207,333	(96,319)
Total Assets	<u>5,631,934</u>	<u>5,824,218</u>	<u>(192,284)</u>
Current liabilities	<u>149,372</u>	<u>171,637</u>	<u>(22,265)</u>
Total Liabilities	<u>149,372</u>	<u>171,637</u>	<u>(22,265)</u>
Net Position:			
Net Investment in capital assets	5,111,014	5,207,333	(96,319)
Unrestricted net position	<u>371,548</u>	<u>445,248</u>	<u>(73,700)</u>
Total Net Position	<u>\$ 5,482,562</u>	<u>\$ 5,652,581</u>	<u>\$ (170,019)</u>

Total current assets decrease of \$95,965 was due, in large part, to a decrease in cash flow of \$95,133.

Current liabilities decreased by \$(22,265), in large part, due to accrued wages and payroll taxes payables decreasing by \$(7,849), accrued compensated absences decreasing by \$(4,840), and accounts payable PILOT decreasing of \$(7,727).

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, 2020
(Continued)

FINANCIAL ANALYSIS (Continued)

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

	<u>03/31/20</u>	<u>03/31/19</u>	<u>Dollar Change</u>
Revenues and contributions			
Operating, non operating, capital contributions:			
Tenant revenue	\$ 672,085	\$ 742,624	\$ (70,539)
Tenant revenue – other	897	1,771	(874)
Total Tenant revenue	672,982	744,395	(71,413)
HUD operating grants	736,915	532,271	204,644
Capital grants	591,316	500,711	90,605
Investment income	3,775	6,715	(2,940)
Other revenue	45,797	77,557	(31,760)
Total Revenues and Contributions	2,050,785	1,861,649	189,136
Expenses			
Personnel services	486,769	461,167	25,602
Tenant services	17,034	6,290	10,744
Utilities	340,557	333,631	6,926
Maintenance	345,549	206,551	138,998
Insurance	97,558	98,605	(1,047)
General expenses	238,433	101,956	136,477
Casualty Losses	31,697	0	31,697
Depreciation	663,207	588,878	74,329
Total Expenses	2,220,804	1,797,078	423,726
Change in net position	(170,019)	64,571	(234,590)
Beginning net position	5,652,581	5,603,720	48,861
Prior period adjustment	0	(15,710)	15,710
Ending position	\$ 5,482,562	\$ 5,652,581	\$ (170,019)

Revenues:

As can be seen in the above table total revenues and contributions increased by \$189,136 in large part, due to capital grants increasing by \$90,605 and operating grants increasing by \$204,644 offset by decreasing tenant revenues of \$71,413.

Sullivan Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2020
(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, 2020, revenue generated by the Housing Authority accounted for \$672,982 (or 32.8% of total revenue), while HUD contributions accounted for \$1,328,231 (or 64.7% of total revenue).

Expenses:

Total expenses for the year ending March 31, 2020 were \$2,220,804 while for the year ending March 31, 2019 the expenses were \$1,797,078. This represents an 23.5% increase in our operating costs.

The following represents changes in Federal Assistance received:

	<u>03/31/20</u>	<u>03/31/19</u>	<u>Dollar Change</u>
Public Housing Operating Subsidy	\$ 525,007	\$ 385,696	\$ 139,311
Capital Fund Program	803,224	647,286	155,938
Total	<u>\$ 1,328,231</u>	<u>\$ 1,032,982</u>	<u>\$ 295,249</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.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending March 31, 2020 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, 2020
(Continued)

OPERATIONAL HIGHLIGHTS

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

	03/31/20	03/31/19
Low Rent Public Housing Program	255	255

The Housing Authority had a lease up rate of 93.0% in the Low Rent program for the fiscal year.

CAPITAL ASSETS

The Sullivan Housing Authority's investment in capital assets, as of March 31, 2020 amounts to \$5,111,014 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment. See additional details at Note C.

CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
March 31,

	2020	2019	Dollar Change
Land	\$ 131,925	\$ 131,925	\$ 0
Buildings	17,648,430	17,447,405	201,025
Furniture, equipment and machinery			
- dwellings	458,383	653,910	(195,527)
Furniture, equipment and machinery			
- administration	723,605	110,546	613,059
Construction in progress	728,669	780,338	(51,669)
	19,691,012	19,124,124	566,888
Accumulated depreciation	(14,579,998)	(13,916,791)	(663,207)
Total	\$ 5,111,014	\$ 5,207,333	\$ (96,319)

Capital assets decreased by \$(96,319) because of the capital outlays of \$566,888 and depreciation expense of \$(663,207).

The Housing Authority added new concrete pads and patios, a new security system, and landscaping and drainage as well as replaced roofs caused by wind damage and replaced doors throughout the facility.

Sullivan Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2020
(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, replacing the maintenance truck, repairing and replacing roofs as needed, repairing asphalt on parking lots, and new window coverings.

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, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$ 424,793
Accounts receivable- net	53,597
Prepaid expenses	42,530
Total Current Assets	520,920

Capital Assets:

Land	131,925
Buildings	17,648,430
Equipment	1,181,988
Construction in progress	728,669
	19,691,012
Less: accumulated depreciation	(14,579,998)
Net Capital Assets	5,111,014

Total Assets	\$ 5,631,934
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LIABILITIES and NET POSITION

Current Liabilities:

Accounts payable	\$ 47,946
Accrued expenses	28,659
Tenant security deposit liability	69,025
Unearned revenue	3,742
Total Current Liabilities	149,372

Total Liabilities	149,372
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Net Position:

Net investment in capital assets	5,111,014
Unrestricted net position	371,548
Total Net Position	5,482,562

Total Liabilities and Net Position	\$ 5,631,934
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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, 2020

OPERATING REVENUES:

Dwelling rent	\$ 672,982
Operating grants	<u>736,915</u>
Total operating revenues	<u>1,409,897</u>

OPERATING EXPENSES:

Administrative	325,145
Tenant services	17,034
Utilities	340,557
Maintenance	593,102
Insurance	97,558
General expenses	152,504
Casualty losses	31,697
Depreciation	<u>663,207</u>
Total operating expenses	<u>2,220,804</u>
Operating income (loss)	<u>(810,907)</u>

NONOPERATING REVENUES:

Investment income	3,775
Other revenue	<u>45,797</u>
Total non operating revenues	<u>49,572</u>

CAPITAL CONTRIBUTIONS

	<u>591,316</u>
Change in net position	(170,019)
Net position, beginning	<u>5,652,581</u>
Net position, ending	<u><u>\$ 5,482,562</u></u>

See notes to financial statements

Sullivan Housing Authority
Statement of Cash Flows
Year Ended March 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and non dwelling rents	\$	673,819
Cash received from operating grants		743,352
Cash payments to other suppliers of goods and services		(1,047,395)
Cash payments to employees for services		(499,458)
Payments in lieu of taxes		(40,970)
		(170,652)
Net cash (used) by operating activities		(170,652)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits		1,519
		1,519
Net cash provided by noncapital financing activities		1,519

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Payments for capital acquisitions		(566,888)
Capital grants		591,316
		24,428
Net cash provided by capital and related financing activities		24,428

CASH FLOWS FROM INVESTING ACTIVITIES:

Other revenue		45,797
Receipts of interest income		3,775
		49,572
Net cash provided by investing activities		49,572

Net increase (decrease) in cash		(95,133)
Cash and cash equivalents, beginning		519,926
Cash and cash equivalents, ending	\$	424,793

See notes to financial statements

Sullivan Housing Authority
Statement of Cash Flows (Continued)
Year Ended March 31, 2020

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

Operating income (loss)	\$	(810,907)
Adjustments to reconcile operating (loss) to net cash provided (used)		
By operating activities:		
Depreciation		663,207
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants		523
Accounts receivable-HUD		6,437
Prepaid expenses		(6,128)
Increase (decrease) in liabilities:		
Bank overdraft		(18,385)
Accounts payable-trade		14,703
Accounts payable-other government		(7,727)
Accrued wages/payroll taxes payable		(7,849)
Accrued compensated absences		(4,840)
Unearned revenue		314
		314
Net cash (used) by operating activities	\$	(170,652)

See notes to financial statements

Sullivan Housing Authority
Notes to Financial Statements
March 31, 2020

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, 2020, there were no inter-program receivables and payable and an operating transfer of \$65,544.

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 15, 2020, 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	\$	101,321
Money market account		323,472
Total	\$	<u>424,793</u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of March 31, 2020:

Bank deposits (checking, certificate of deposit, money market accounts)	\$	424,693
Petty cash		<u>100</u>
Total	\$	<u>424,793</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. 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, 2020, was as follows:

	<u>Balance 03/31/19</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 03/31/20</u>
Low Rent Program				
Land	\$ 131,925	\$ 0	\$ 0	\$ 131,925
Buildings	17,447,405	201,025	0	17,648,430
Furniture, equipment & machinery - dwellings	653,910	0	(195,527)	458,383
Furniture, equipment & machinery - administration	110,546	613,059	0	723,605
Construction in progress	780,338	0	(51,669)	728,669
	<u>19,124,124</u>	<u>\$ 814,084</u>	<u>\$ (247,196)</u>	<u>19,691,012</u>
Less accumulated depreciation	<u>(13,916,791)</u>	<u>\$ (663,207)</u>	<u>\$ 0</u>	<u>(14,579,998)</u>
Total	<u>\$ 5,207,333</u>			<u>\$ 5,111,014</u>

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

Business-type activities:

Low Rent Program

\$ 663,207

NOTE D: COMMITMENTS AND CONTINGENCIES

Commitments – Construction

At March 31, 2020, the Housing Authority had the following capital fund grants:

	<u>IN36P034501-17</u>	<u>IN36P034501-18</u>
Funds Approved	\$ 333,707	\$ 479,115
Funds Expended	<u>(333,707)</u>	<u>(420,608)</u>
Excess of Funds Approved	<u>\$ 0</u>	<u>\$ 58,507</u>
Funds Advanced (HUD Grants)	\$ 333,707	\$ 420,608
Funds Expended	<u>(333,707)</u>	<u>(420,608)</u>
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>
	<u>IN36P034501-19</u>	
Funds Approved	\$ 537,769	
Funds Expended	<u>(434,545)</u>	
Excess of Funds Approved	<u>\$ 103,224</u>	
Funds Advanced (HUD Grants)	\$ 434,545	
Funds Expended	<u>(434,545)</u>	
Excess of Funds Advanced	<u>\$ 0</u>	

The audited costs for the 2017 CFP agree with the amounts disbursed.

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.

OTHER INFORMATION

**Sullivan Housing Authority
Schedule of Expenditures of Federal Awards
And Notes to the Schedule of Federal Awards
Year Ended March 31, 2020**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor	Type	Federal CFDA #	Expenditures
<u>U.S. Department of HUD</u>			
Public and Indian Housing:			
Public Housing Capital Fund Program	A – Major	14.872	\$ 803,224
Low Rent Public Housing	B – Nonmajor	14.850	525,007
			<hr/>
Total Federal Financial Awards			<u>\$ 1,328,231</u>
Threshold for Type A/Type B Program			<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, 2020. 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, 2020**

FDS Line Item No.		Low Rent Program 14,850
	ASSETS	
	Current assets:	
111	Cash-unrestricted	\$ 352,026
114	Cash-tenant security deposits	69,025
115	Cash-restricted for payment of current liabilities	3,742
100	Total cash	<u>424,793</u>
	Receivables:	
122	A/R-HUD other projects	46,465
126	A/R-tenants	7,132
120	Total receivables, net	<u>53,597</u>
	Other Current Assets:	
142	Prepaid expenses	<u>42,530</u>
150	Total current assets	<u>520,920</u>
	Noncurrent Assets:	
	Fixed Assets:	
161	Land	131,925
162	Buildings	17,648,430
163	Furn, equip & mach-dwell	458,383
164	Furn, equip & mach-admin	723,605
166	Accumulated depreciation	(14,579,998)
167	Construction in progress	728,669
160	Total fixed assets, net	<u>5,111,014</u>
180	Total non-current assets	<u>5,111,014</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 5,631,934</u>

**Sullivan Housing Authority
Financial Data Schedule
(Continued)
Year Ended March 31, 2020**

FDS Line Item No.		Low Rent Program 14.850
	LIABILITIES and NET POSITION	
	Current liabilities:	
312	Accounts payable	\$ 14,703
321	Accrued wage/payroll taxes payable	16,293
322	Accrued compensated absences	12,366
333	Accounts payable – other government	33,243
341	Tenant security deposits	69,025
342	Unearned revenue	3,742
310	Total current liabilities	<u>149,372</u>
300	Total liabilities	<u>149,372</u>
	Net Position:	
508.4	Net investment in capital assets	5,111,014
512.4	Unrestricted net position	371,548
513	Total net position	<u>5,482,562</u>
600	Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,631,934</u>

Sullivan Housing Authority
Financial Data Schedule
(Continued)
Year Ended March 31, 2020

FDS Line Item No.		Low Rent Program 14.850	Capital Fund Program 14.872	Totals
	Revenues			
70300	Net tenant rental revenue	\$ 672,085	\$ 0	\$ 672,085
70400	Tenant revenue-other	897	0	897
70500	Total tenant revenue	672,982	0	672,982
70600	HUD PHA operating grants	525,007	211,908	736,915
70610	Capital grants	0	591,316	591,316
71100	Investment income-unrestricted	3,775	0	3,775
71500	Other revenue	45,797	0	45,797
70000	Total revenue	1,247,561	803,224	2,050,785
	Expenses			
	Administrative:			
91100	Administrative salaries	168,631	37,000	205,631
91200	Auditing fees	6,500	0	6,500
91400	Advertising and marketing	6,287	0	6,287
91500	Employee benefit contributions	33,585	0	33,585
91600	Office expenses	21,041	0	21,041
91800	Travel	1,394	0	1,394
91900	Other	50,707	0	50,707
91000	Total operating-administrative	288,145	37,000	325,145
	Tenant services:			
92400	Tenant services-other	17,034	0	17,034
92500	Total tenant services	17,034	0	17,034
	Utilities:			
93100	Water	49,495	0	49,495
93200	Electricity	146,563	0	146,563
93300	Gas	2,091	0	2,091
93600	Sewer	130,962	0	130,962
93800	Other utilities expense	11,446	0	11,446
93000	Total utilities	340,557	0	340,557
	Ordinary maintenance and operations:			
94100	Labor	180,075	0	180,075
94200	Materials and other	90,243	0	90,243
94300	Contracts	255,306	0	255,306
94500	Employee benefit contributions	67,478	0	67,478
94000	Total maintenance	593,102	0	593,102

Sullivan Housing Authority
Financial Data Schedule
(Continued)
Year Ended March 31, 2020

FDS Line Item No.	Low Rent Program 14.850	Capital Fund Program 14.872	Totals
Expenses (continued)			
Insurance:			
96110	60,536	0	60,536
96120	18,621	0	18,621
96130	9,769	0	9,769
96140	8,632	0	8,632
96100	<u>97,558</u>	<u>0</u>	<u>97,558</u>
Other general expenses:			
96200	0	109,364	109,364
96210	(4,840)	0	(4,840)
96300	33,243	0	33,243
96400	14,737	0	14,737
96000	<u>43,140</u>	<u>109,364</u>	<u>152,504</u>
96900	<u>1,379,536</u>	<u>146,364</u>	<u>1,525,900</u>
97000	<u>(131,975)</u>	<u>656,860</u>	<u>524,885</u>
Other Expenses:			
97200	31,697	0	31,697
97400	663,207	0	663,207
	<u>694,904</u>	<u>0</u>	<u>694,904</u>
90000	<u>2,074,440</u>	<u>146,364</u>	<u>2,220,804</u>
Other Financing Sources (Uses):			
10010	65,544	0	65,544
10020	0	(65,544)	(65,544)
10100	<u>65,544</u>	<u>(65,544)</u>	<u>0</u>
10000	<u>(761,335)</u>	<u>591,316</u>	<u>(170,019)</u>
11040	591,316	(591,316)	0
11030	<u>5,652,581</u>	<u>0</u>	<u>5,652,581</u>
	<u>\$ 5,482,562</u>	<u>\$ 0</u>	<u>\$ 5,482,562</u>
11190	2,964		
11210	2,757		

*Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686*

**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, 2020, 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 15, 2020.

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 15, 2020

*Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686*

**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, 2020. 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, 2020.

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 15, 2020

**Sullivan Housing Authority
Status of Prior Audit Findings
March 31, 2020**

There were no prior year findings.

Sullivan Housing Authority
Schedule of Findings and Questioned Costs
March 31, 2020

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.