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October 9, 2013

Board of Directors  
Fulton County Housing Authority  
824 Main Street, P.O. Box 594  
Rochester, IN 46975

We have reviewed the audit report prepared by Jean Sickels, CPA, Independent Public Accountant, for the period July 1, 2008 to June 30, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Fulton County Housing Authority, as of June 30, 2009 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

# FULTON COUNTY HOUSING AUTHORITY

AUDITED FINANCIAL STATEMENTS

Rochester, Indiana  
June 30, 2009

*Jean Sickels*

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120  
812-472-3527

870 Cinderella Court  
Decatur, GA 30033  
404-297-9881

FULTON COUNTY  
HOUSING AUTHORITY

Rochester, Indiana  
June 30, 2009

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# Jean Sickels

## Certified Public Accountant

8518 S. Kays Chapel Rd.  
Fredericksburg, IN 47120

### INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Fulton Co. Housing Authority  
P.O. Box 564  
Rochester, Indiana

I have audited the financial statements of the Fulton County Housing Authority ("the Authority") as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

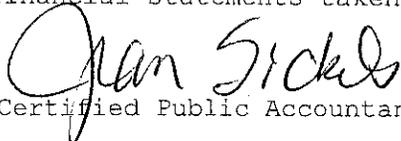
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fulton County Housing Authority as of June 30, 2009, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 20, 2009, on my consideration of the Fulton County Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis as detailed in this Report, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries made of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements of the Fulton County Housing Authority. The accompanying Schedule of Expenditures of Federal Awards as required by the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

  
Certified Public Accountant

Fredericksburg, Indiana  
October 20, 2009

**FULTON COUNTY HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2009**

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The Fulton County Housing Authority's (the Authority) Management's Discussion and Analysis Report is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

This Management Discussion and Analysis will be presented at the beginning of the basic financial statements each year.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the Authority's basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The Authority participated in the construction of the 56-unit Arbor Woods Apartments tax-credit project. Project construction was completed in late 2006, and lease-up began in mid-July 2007. This one-time project has enhanced the quantity, quality, and affordability of local rental units. As of the fiscal year end June 30, 2009, the Authority subsidized 21 of the 56 units in this project.
- The Authority's net assets decreased by \$59,237 (or 16.2%) during 2009. Net Assets were \$366,598 and \$307,361 for 2008 and 2009 respectively. This decrease of 16.2% is attributable to an increase in Housing Assistance Payments (HAP) to landlords and decreased funding awarded by HUD for those HAP expenses; HAP reserves were used for this increased spending.
- The Authority's cash balance at June 30, 2009 was \$196,593 representing a decrease of \$54,141 (or 21.5%) from June 30, 2008. This decrease reflects increased HAP spending and less HUD funding received, while the cash balance had increased in the prior year due to increased HUD funding and less HAP expenses.
- The Authority's total revenue decreased by \$104,580 (or 12.8%) during 2009, and was \$811,224 and \$706,644 for 2008 and 2009 respectively. This is due to a decrease in HUD funding.
- The total expenses of the Authority's programs increased by \$59,057 (or 8.4%); this increase is entirely based on increased HAP costs as lease up figures also increased, and was offset by a decrease in administrative expenses. Total expenses were \$706,824 and \$765,881 for 2008 and 2009 respectively. Administrative expenses decreased \$22,126 (or 19.0%) due to prior year's HOME grant received and additional funds invested in Arbor Woods Apartment project. General expenses increased \$244 (or 11.6%). HAP expenses increased \$81,384 (or 13.9%) due to increased leasing, and Depreciation decreased \$445 (or 11.2%).
- The Authority had HUD PHA operating grants of \$695,251, unrestricted investment income of \$4,348, restricted interest income of \$1,308, other income of \$289, and fraud recovery income of \$5,448 for the year ended June 30, 2009.
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$307,361 (net assets). This represents a decrease of \$59,237 from last year.

**FULTON COUNTY HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2009**

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***USING THIS ANNUAL REPORT***

The following is provided to outline the contents of the Authority's MD&A Report. This report precedes and is required supplementary information to the Authority's basic financial statements for the annual period ending June 30, 2009.

- **Financial Statement Overview**
  - Authority-Wide Financial Statements
  - Financial Statements
  - The Authority's Programs
  
- **Authority-Wide Statements**
  - Table 1 – Statement of Net Assets and Statement Analysis
  - Table 2 – Statement of Revenues, Expenditures and Changes in Net Assets
  
- **Changes in Capital Assets**
  
- **Financial Contact**

**FULTON COUNTY HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2009**

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**FINANCIAL STATEMENT OVERVIEW**

***AUTHORITY-WIDE FINANCIAL STATEMENTS***

The Authority-Wide financial statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Noncurrent".

The focus of the Statement of Net Assets is designed to represent the net available liquid (noncapital) assets, net of liabilities, for the Authority.

The Authority-Wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, Operating Expenses, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

***FINANCIAL STATEMENTS***

The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by private sector accounting.

***THE AUTHORITY'S PROGRAMS***

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own rental property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure assistance that mandates the participants' rent is 30% of household income.

HOME Investment Partnerships Program – The Housing Authority received HOME funds for a 56-unit tax credit apartment project 'Arbor Woods'.

**FULTON COUNTY HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2009**

**AUTHORITY-WIDE STATEMENTS**

**TABLE 1**  
**Statement of Net Assets**

	2009	2008	Net Change
Cash - Unrestricted	\$ 102,163	\$ 103,634	\$ (1,471)
Cash - Restricted	94,430	147,100	(52,670)
Accrued Interest Receivable	-	1,146	(1,146)
Prepaid Expenses	1,472	1,455	17
<b>Current Assets</b>	<u>198,065</u>	<u>253,335</u>	<u>(55,270)</u>
Office Equipment - net	10,349	13,873	(3,524)
Other noncurrent asset	100,026	100,051	(25)
<b>Noncurrent Assets</b>	<u>110,375</u>	<u>113,924</u>	<u>(3,549)</u>
<b>TOTAL ASSETS</b>	<u>308,440</u>	<u>367,259</u>	<u>(58,819)</u>
Accrued Salaries Payable	1,079	661	418
<b>Current Liabilities</b>	<u>1,079</u>	<u>661</u>	<u>418</u>
Invested in capital assets	10,349	13,874	(3,525)
Restricted net assets	94,430	147,100	(52,670)
Unrestricted net assets	<u>202,582</u>	<u>205,624</u>	<u>(3,043)</u>
<b>Net Assets</b>	<u>\$ 307,361</u>	<u>\$ 366,598</u>	<u>\$ (59,237)</u>

\*Current assets decreased by \$55,270, while current liabilities increased by \$418. The decrease in cash balance is attributed to higher leasing levels compared to the previous year, which therefore increased Housing Assistance Payments to landlords.

\*Investments in Joint Ventures decreased by \$25 due to a net operating loss from the Arbor Woods Apartments tax credit project.

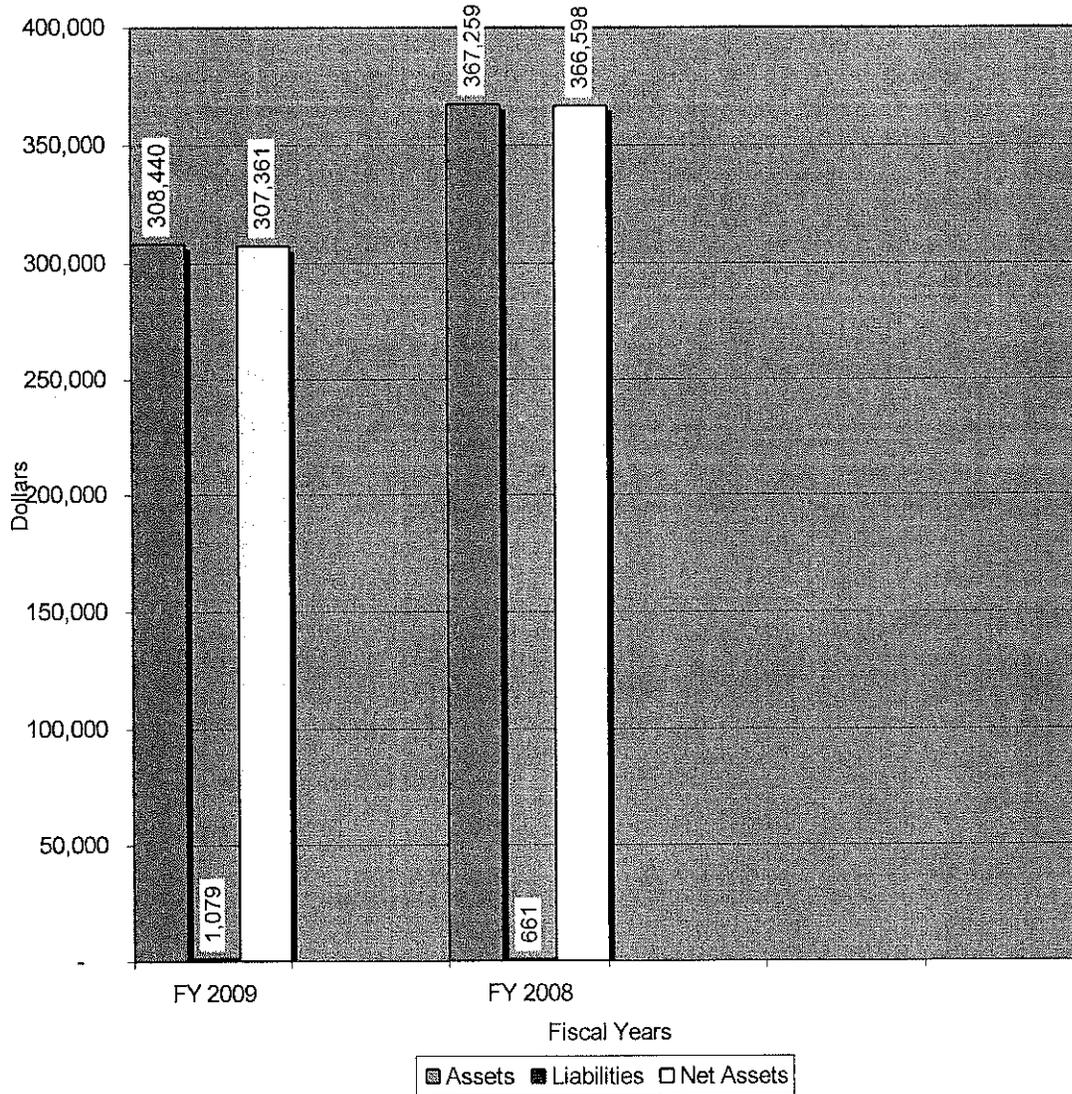
\*Office equipment decreased by \$3,524 due to one asset expiring or being replaced.

\*The minor increase in accrued liabilities can be attributed to the fact there were more days accrued for the current year than the prior year and employee wages increased slightly.

\*Restricted net assets decreased by \$52,670 due to higher spending for Housing Assistance Payments to landlords than HUD funded; HAP reserves were used for this HAP over-spending.

**FULTON COUNTY HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2009**

**Section 8 Housing Choice Voucher Program**  
**Changes in Net Assets FY 2008 - FY 2009**



**FULTON COUNTY HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2009**

**TABLE 2**  
**Statement of Revenues, Expenses & Changes in Net Assets**

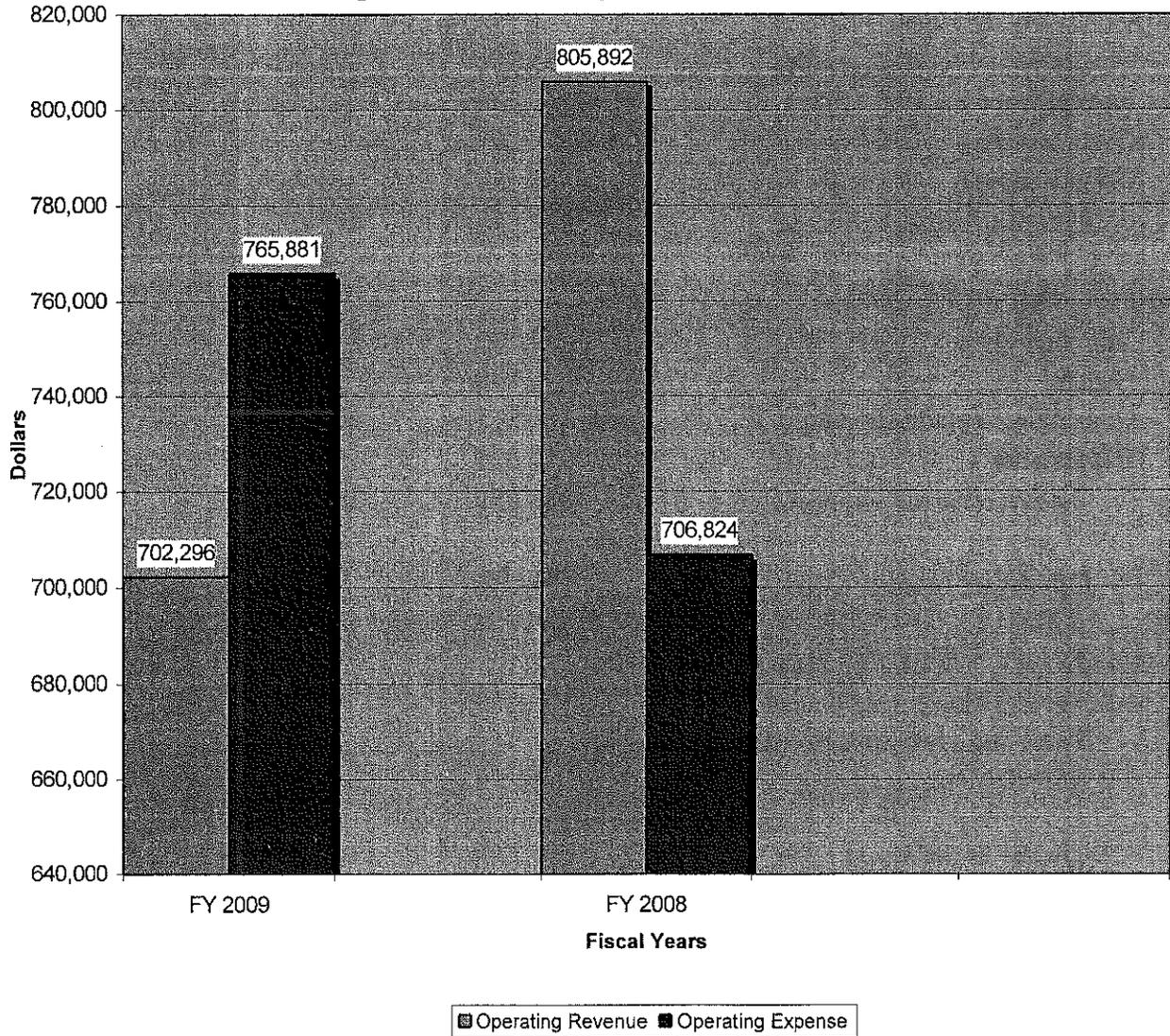
	2009	2008	Net Change
<b>OPERATING REVENUES</b>			
Government operating grants	\$ 695,251	\$ 801,109	\$ (105,858)
Interest Income - HUD funds	1,308	50	1,258
Other Income	289	-	289
Fraud Recovery	5,448	4,733	715
<b>Total operating revenues</b>	<b>702,296</b>	<b>805,892</b>	<b>(103,596)</b>
<b>OPERATING EXPENSES</b>			
Administrative	94,291	116,417	(22,126)
General	2,348	2,104	244
Housing assistance payments	665,717	584,333	81,384
Depreciation	3,525	3,970	(445)
<b>Total operating expenses</b>	<b>765,881</b>	<b>706,824</b>	<b>59,057</b>
<b>Operating income (loss)</b>	<b>(63,585)</b>	<b>99,068</b>	<b>(162,653)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	4,348	5,332	(984)
<b>Total nonoperating revenue (expenses)</b>	<b>4,348</b>	<b>5,332</b>	<b>(984)</b>
<b>Change in net assets</b>	<b>(59,237)</b>	<b>104,400</b>	<b>(163,637)</b>
Total net assets - beginning	366,598	262,198	104,400
<b>Total net assets - ending</b>	<b>\$ 307,361</b>	<b>\$ 366,598</b>	<b>\$ (59,237)</b>

Operating revenues decreased due to a decrease in HUD funding compared to last year. Administrative expenses for the HCV program were similar to last year's figures, however total expenses decreased since no funds were transferred into the Arbor Woods tax credit project. HAP expenses increased by \$81,384 due to increased lease-up (restricted HAP reserves were used to cover increased HAP expenses).

**FULTON COUNTY HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2009**

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**Section 8 Housing Choice Voucher Program**  
**Changes in Revenue and Expenses FY 2008 - FY 2009**



**FULTON COUNTY HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2009**

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**CHANGES IN CAPITAL ASSETS**

<b>7.1.08 Beginning Balance Capital Assets, net</b>	<b>\$ 13,873</b>
<b>Plus: New equipment purchases in current year</b>	<b>0</b>
<b>Less: Current period depreciation</b>	<b><u>(3,524)</u></b>
<b>6.30.09 Ending Balance Capital Assets, net</b>	<b><u>\$ 10,349</u></b>

**FINANCIAL CONTACT**

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Authority's Executive Director:

Fulton County Housing Authority  
PO Box 564 / 824 Main Street  
Rochester, IN 46975  
574.223.2733

**FINANCIAL STATEMENTS**

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

STATEMENT OF NET ASSETS  
JUNE 30, 2009

ASSETS

Current Assets

Cash and cash equivalents	\$ 102,163
Restricted cash and cash equivalents	94,430
Accounts receivable, net	0
Prepaid expenses	1,472
<b>Total Current Assets</b>	<b>198,065</b>

Capital Assets

Depreciable capital assets, net	10,349
<b>Total Capital Assets</b>	<b>10,349</b>

Investments in Joint Ventures	100,026
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<b>Total Assets</b>	<b>308,440</b>
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LIABILITIES

Current liabilities

Accrued wages payable	1,079
<b>Total Current Liabilities</b>	<b>1,079</b>

<b>Total Liabilities</b>	<b>1,079</b>
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NET ASSETS

Invested in capital assets	10,349
Restricted net assets	94,430
Unrestricted	202,582
<b>Total Net Assets</b>	<b>\$ 307,361</b>

The accompanying notes are an integral part of these financial statements.

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009

OPERATING REVENUES

Rental income	\$	0
Other income		<u>5,897</u>
<b>TOTAL OPERATING REVENUE</b>		<u><b>5,897</b></u>

OPERATING EXPENSES

Administrative		94,291
General expense		2,348
Housing assistance payments		665,717
Depreciation expense		<u>3,525</u>
<b>TOTAL OPERATING EXPENSES</b>		<u><b>765,881</b></u>

**OPERATING INCOME (LOSS)** **(759,984)**

NONOPERATING REVENUES (EXPENSES)

Federal operating grants		695,251
Interest income		<u>5,496</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>		<u><b>700,747</b></u>

**CHANGE IN NET ASSETS** **(59,237)**

**TOTAL NET ASSETS - BEGINNING OF YEAR** **366,598**

**TOTAL NET ASSETS - END OF YEAR** **\$ 307,361**

The accompanying notes are an integral part of these financial statements.

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	7,043
Payments to vendors and employees		(96,238)
Payments to landlords		(665,717)
<b>Net Cash Used by Operating Activities</b>		<u>(754,912)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating grants received		695,251
<b>Net Cash Provided by Noncapital Financing Activities</b>		<u>695,251</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income		5,496
<b>Net Cash Flows Provided by Investing Activities</b>		<u>5,496</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Investment in partnerships		25
Purchase of capital assets		(1)
<b>Net Cash Flows (Used)</b>		<u>24</u>
<b>by Capital and Related Financing Activities</b>		<u>24</u>

Net Increase (Decrease) in Cash and Cash Equivalents		(54,141)
Cash - Beginning of year		250,734
<b>Cash - End of year</b>	\$	<u>196,593</u>

Reconciliation of cash and cash equivalents:		
Cash and cash equivalents		102,163
Restricted cash and cash equivalents		94,430
	\$	<u>196,593</u>

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

Operating income	\$	(759,984)
Adjustments to reconcile net income to net cash		
Provided by operating activities:		
Depreciation		3,525
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		1,146
Prepaid expenses		(17)
Increase (Decrease) in:		
Accrued payables		418
<b>Net Cash Flows Used by Operating Activities</b>	\$	<u>(754,912)</u>

The accompanying notes are an integral part of these financial statements.

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE A - Summary of Significant Accounting Policies and Organization:

Reporting Entity

The entity is a public corporation, legally separate, fiscally independent and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Fulton County Housing Authority, a primary government. Although it is legally separate from the Fulton County Housing Authority, the Rochester Affordable Housing, Inc. is reported as if they were part of the primary government because its sole purpose is to work in conjunction with the Housing Authority to assist with providing housing for low and moderate income individuals and have the same governing boards, accordingly the Rochester Affordable Housing Inc.'s financial information (component units) have been blended with the Fulton County Housing Authority.

At June 30, 2009, the Housing Authority has 175 units under management.

<u>Project</u>	<u>Units</u>
Vouchers	<u>175</u>

Basis of Accounting and Presentation

In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U. S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

The accounting policies of the Authority conform to generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) as applicable to special-purpose governments engaged in business-type activities. Pursuant to the election option made available by GASB Statement No. 20, pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989, in accounting and reporting for its proprietary operations have been applied, but has elected not to apply FASB pronouncements issued after November 30, 1989.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Authority presents its financial statements using enterprise accounting. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting, expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Net Assets

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following net asset categories:

Invested in Capital Assets, Net of Related Debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Authority has no debt.

Restricted - Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service. The Authority has restricted funds totaling \$94,430 that represents excess HAP grant funding provided by the Department of Housing & Urban Development for the sole purpose of providing assistance payments to eligible individuals through the Housing Choice Voucher Program. The requirements imposed by HUD represent a legally enforceable requirement upon this program.

Unrestricted - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

Budgets - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle.

Budget compared to actual presentation is not presented because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board. This budget does not represent a legally binding appropriated budget that has been signed into law or a nonappropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - Deposits consist of checking accounts and Certificates of Deposit and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

For the purposes of the Statement of Cash Flows, the Authority considers all highly liquid cash deposits and cash equivalents with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no noncash investing, capital, and financing activities during the year.

Tenant Receivables - Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts. The Authority board takes monthly action as required to write off specific uncollectible accounts receivable balances.

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

**NOTE A - Summary of Significant Accounting Policies:** (Continued)

**Prepaid** - Prepaids represent payments made to vendors for services that will benefit beyond June 30, 2009.

**Inventories** - Inventories (if any) are valued at cost, which approximates market value, using the first-in/first/out (FIFO) method.

**Capital assets** - Capital assets purchased are recorded on the Statement of Net Assets at the time of purchase. Such assets are recorded at cost. The capitalization policy of the Authority requires assets to be capitalized when their cost is \$1,000 or more. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs.

Depreciation of capital assets is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Furniture, Equipment and Machinery	3-7 years

**Compensated Absences** - Compensated absences (if any) are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place. Any unused vacation and sick leave are not compensated.

**Operating Revenues and Expenses** - Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. 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.

**Restricted Assets** - When both restricted (if any) and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, then restricted resources as they are needed.

**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 liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

**NOTE B - Deposits, Cash and Cash Equivalents:**

**HUD Deposit Restrictions**

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

**Risk Disclosures**

**A. Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase.

At year end, all the Authority's deposits were either available on demand or have maturities of less than two years.

**B. Credit Risk:** This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

The carrying amounts of the Authority's cash deposits were \$250,734 at June 30, 2009. Bank balances before reconciling items were \$254,742 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name.

Deposits consist of the following:

Certificates of Deposit	\$ 117,925
Savings accounts	14,249
Checking accounts	64,419
Total	<u>\$ 196,593</u>

**NOTE C - Accounts Receivable:**

Accounts receivable at June 30, 2009, consist of the following:

Fraud recovery receivable net of allowance of \$19,766	<u>\$ 0</u>
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**NOTE D - Prepaid Expenses:**

Prepaid expenses at June 30, 2009, consist of the following:

Prepaid insurance	<u>\$ 1,472</u>
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FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

**NOTE E - Capital Assets:**

A summary in changes in capital assets is as follows:

	Beginning Balance <u>7/1/08</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>6/30/09</u>
Capital Assets, being depreciated:				
Furniture, equipment & Machinery	\$ 23,601	\$ 0	\$ 418	\$ 23,183
Total Capital Assets, being depreciated	<u>23,601</u>	<u>0</u>	<u>418</u>	<u>23,183</u>
Less Accumulated Depreciation:	<u>( 9,728)</u>	<u>( 3,525)</u>	<u>419</u>	<u>( 12,834)</u>
Total Capital Assets, being depreciated, net	<u>13,873</u>	<u>( 3,525)</u>	<u>0</u>	<u>10,349</u>
Capital Assets, Net	<u>\$ 13,873</u>	<u>\$ ( 3,525)</u>	<u>\$ 0</u>	<u>\$ 10,349</u>

Depreciation expense of \$3,525 was incurred during the year.

**NOTE F - Investments in Joint Ventures:**

Investments at June 30, 2009 consist of the following:

Partnership - Arbor Woods Apartments L.P. \$ 100,026

The Housing Authority's component unit, Rochester Affordable Housing, Inc. entered into a limited partnership (Arbor Woods) agreement for purpose of constructing and managing a 56-unit complex of one, two, and three bedroom apartments. The partnership has received tax credits from the State of Indiana. The Rochester Affordable Housing, Inc. holds a 1% general partnership interest, with the remaining 99% limited partnership interests held by unrelated investors. The Housing Authority contributed \$100 to the partnership for its 1% interest. The Housing Authority accounts for this investment on the equity basis of accounting.

**NOTE G - Commitments and Contingencies:**

**Examinations:** The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There was one examination during the year ended June 30, 2009.

**Grant Disallowances:** Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, would constitute a liability of the Authority. The amounts, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE H - Federal Operating Grants:

HUD contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Housing Choice Vouchers	<u>\$ 695,251</u>
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NOTE I - Risk Management:

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance coverage for these risks to the extent deemed prudent by Authority management. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE J - Economic Dependency:

The Authority receives approximately 99% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE K - Related Party:

The Authority is related to Arbor Woods Apartments, L.P. tax credit project. The Housing Authority's non-profit component unit is a partner in the Arbor Woods partnership for purposes of providing additional Section 8 housing.

**SUPPLEMENTAL FINANCIAL INFORMATION**

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

COMBINING SCHEDULE OF PROGRAM NET ASSETS  
JUNE 30, 2009

	<u>ACC</u>		
	<u>C-2014</u>		
	Section 8	Component	Total
	Vouchers	Unit	
<b><u>ASSETS</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 87,914	\$ 14,249	\$ 102,163
Restricted cash and cash equivalents	94,430	0	94,430
Accounts receivable, net	0	0	0
Prepaid expenses	1,472	0	1,472
<b>Total Current Assets</b>	<b>183,816</b>	<b>14,249</b>	<b>198,065</b>
Capital Assets, net	10,349	0	10,349
Investments in Joint Ventures	0	100,026	100,026
<b>Total Assets</b>	<b>\$ 194,165</b>	<b>\$ 114,275</b>	<b>\$ 308,440</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b><u>Current liabilities</u></b>			
Accrued wages payable	\$ 1,079	\$ 0	\$ 1,079
<b>Current liabilities</b>	<b>1,079</b>	<b>0</b>	<b>1,079</b>
<b><u>Net assets</u></b>			
Invested in capital assets	10,349	0	10,349
Restricted net assets	94,430	0	94,430
Unrestricted net assets	88,307	114,275	202,582
<b>Total Net assets</b>	<b>\$ 193,086</b>	<b>\$ 114,275</b>	<b>\$ 307,361</b>

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>ACC</u>		
	<u>C-2014</u>		
	Section 8	Component	Total
	Vouchers	Unit	
<b><u>OPERATING REVENUES</u></b>			
Rental income	\$ 0	\$ 0	\$ 0
Other income	5,737	160	5,897
<b>TOTAL OPERATING REVENUE</b>	<b>5,737</b>	<b>160</b>	<b>5,897</b>
<b><u>OPERATING EXPENSES</u></b>			
Administrative	94,266	25	94,291
General expense	2,348	0	2,348
Housing assistance payments	665,717	0	665,717
Depreciation expense	3,525	0	3,525
<b>TOTAL OPERATING EXPENSES</b>	<b>765,856</b>	<b>25</b>	<b>765,881</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(760,119)</b>	<b>135</b>	<b>(759,984)</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Federal operating grants	695,251	0	695,251
Interest income	5,496	0	5,496
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>700,747</b>	<b>0</b>	<b>700,747</b>
<b>CHANGE IN NET ASSETS</b>	<b>(59,372)</b>	<b>135</b>	<b>(59,237)</b>
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>	<b>252,458</b>	<b>114,140</b>	<b>366,598</b>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ 193,086</b>	<b>\$ 114,275</b>	<b>\$ 307,361</b>

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>Awards</u>	<u>Expenditures</u>
<b><u>U.S. DEPARTMENT OF HUD</u></b>				
C-2014	Section 8 Housing Choice Voucher Program	14.871	\$ <u>695,251</u>	\$ <u>695,251</u>
	<b>TOTAL HUD</b>		<b>\$ <u>695,251</u></b>	<b>\$ <u>695,251</u></b>

Notes to Schedule Of Expenditures Of Federal Awards:

Note 1 - The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting as described in Note A.

**OTHER REPORTS**

# Jean Sickels

Certified Public Accountant

8518 S. Kays Chapel Rd.  
Fredericksburg, IN 47120

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

Board of Commissioners  
Fulton County Housing Authority  
P.O. Box 564  
Rochester, Indiana

I have audited the financial statements of the Fulton County Housing Authority ("the Authority") as of and for the year ended June 30, 2009, and have issued my report thereon dated October 20, 2009, which included a disclaimer of opinion on Management's Discussion and Analysis. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entities internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

This report is intended solely for the information and use of, management, others within the authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountant

Fredericksburg, Indiana  
October 20, 2009

# Jean Sickels

Certified Public Accountant

8518 S. Kays Chapel Rd.  
Fredericksburg, IN 47120

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

Board of Commissioners  
Fulton County Housing Authority  
P.O. Box 564  
Rochester, Indiana

## Compliance

I have audited the compliance of the Fulton County Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Fulton County Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Fulton County Housing Authority's management. My responsibility is to express an opinion on the Fulton County Housing Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fulton County Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Fulton County Housing Authority's compliance with those requirements.

In my opinion, the Fulton County Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

## Internal Control Over Compliance

The management of the Fulton County Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Fulton County Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* in an authority's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the authority's internal control.

Internal Control Over Compliance (Continued)

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the authority's internal control that might be significant deficiencies or material weaknesses as defined above. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses as defined above.

This report is intended solely for the information and use of, management, others within the authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Jan Sicksel". The signature is written in a cursive, flowing style.

Certified Public Accountant

Fredericksburg, Indiana  
October 20, 2009

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

JUNE 30, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
~ Material weakness(es) identified?        yes   X   no  
~ Significant deficiency(ies) identified that are  
not considered to be material weaknesses?        yes   X   none reported

Noncompliance material to financial statements  
noted?        yes   X   no

FEDERAL AWARDS

Internal control over major programs:  
~ Material weakness(es) identified?        yes   X   no  
~ Significant deficiency(ies) identified that are  
not considered to be material weakness(es)?        yes   X   none reported

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

Any audit findings disclosed that are required  
to be reported in accordance with section 510(a)  
of Circular A-133?        yes   X   no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Housing Choice Vouchers

Dollar threshold used to distinguish  
between type A and type B programs:   \$ 300,000  

Auditee qualified as low-risk auditee?   X   yes        no

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no Financial Statement Findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no Federal Award Findings.

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

JUNE 30, 2009

STATUS OF FINDINGS AND QUESTIONED COSTS

PRIOR YEAR FINDINGS

There are no Prior Year Findings

CURRENT YEAR FINDINGS

There are no Current Year Findings