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

Telephone: (317) 232-2513

Fax: (317) 232-4711

Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

May 14, 2009

Board of Commissioners  
Fulton County Housing Authority  
P.O. Box 564  
Rochester, IN 46975

We have reviewed the audit report prepared by Jean E. Sickels, CPA, Independent Public Accountant, for the period July 1, 2006 to June 30, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Fulton County Housing Authority, as of June 30, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the finding in the report. Page 24 contains one current audit finding.

STATE BOARD OF ACCOUNTS

# FULTON COUNTY HOUSING AUTHORITY

AUDITED FINANCIAL STATEMENTS

ROCHESTER, INDIANA  
JUNE 30, 2007

*Jean Sickels*  
Certified Public Accountant

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

R.R. # 1 BOX 187  
Larwill, IN 46764  
(219)327-3475

FULTON COUNTY  
HOUSING AUTHORITY

Rochester, Indiana  
June 30, 2007

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*Jean Sickels*

**Certified Public Accountant**  
870 Cinderella Court  
Decatur, GA 30033-5812

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Fulton County Housing Authority  
625 Pontiac Street  
Rochester, Indiana 46975

I have audited the financial statements of the Fulton County Housing Authority, herein referred to as the Authority, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Housing 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, 2007, and the changes in financial position and its cash flows for the year indicated above, 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 December 5, 2007, on my consideration of the Fulton County Housing Authority's internal control over financial reporting and 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 the table of contents 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 supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements of the Fulton County Housing Authority. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements of the Authority. The supplemental information as listed in the table of contents, including the Financial Data Schedule is presented for purposes of additional analysis, and is not a required part of the financial statements. Such supplementary 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.

*Jean Sickels*  
Certified Public Accountant

Decatur, Georgia  
December 5, 2007

**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2007**

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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's net assets increased by \$155,683 (or 146.1%) during 2007. Net Assets were \$106,515 and \$262,198 for 2006 and 2007 respectively. This substantial increase of 146.1% is attributable to capital of \$100,095 for Arbor Woods Apartments, a tax credit apartment project, developer funds/other income of \$33,785, and an increase in cash balances due to under spending of HUD funding based on overspending HUD's funding in the prior year and late notice of current year renewal funding figures added to the amount of time it takes to certify families as eligible for the assistance program. The net asset increase of 146.1% is a considerable difference from last year's decrease of 8.6%.
- The Authority's cash balance at June 30, 2007 was \$145,073 representing an increase of \$58,038 (or 66.6%) from June 30, 2006. As with net assets above, this 66.6% increase in cash more than offsets the prior year's decrease of 31.0%.
- The Authority's revenue increased by \$583,518 (or 91.7%) during 2007, and was \$635,711 and \$1,219,229 for 2006 and 2007 respectively.
- The total expenses of the Authority's programs increased by \$428,642 (or 66.3%). Total expenses were \$645,781 and \$1,074,423 for 2006 and 2007 respectively. This increase reflects decreases in all expense areas except for Administrative: Administrative increased \$450,577 (or 558.7%) due to HOME grant received and invested in Arbor Woods Apartment project, General decreased \$100 (or 4.0%), HAP decreased \$20,685 (or 3.7%), and Depreciation decreased \$1,150 (or 25.9%).
- The Authority had HUD PHA operating grants of \$1,077,373, investment income of \$4,127, and fraud recovery income of \$3,968 for the year ended June 30, 2007.
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$262,198 (net assets). This represents an increase of \$155,683 from last year.

**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2007**

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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, 2007.

- **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
  - Table 3 – Statement of Cash Flows
  
- **Changes in Capital Assets**
  
- **Financial Contact**

**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2007**

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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.

Finally, a Statement of Cash Flow is included in the financial statements, which discloses net cash provided by or used for operating activities.

***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, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2007**

**AUTHORITY-WIDE STATEMENTS**

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

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
Cash – Unrestricted	\$ 145,073	\$ 87,035	\$ 58,038
Accrued Interest Receivable	879	1,831	(952)
Prepaid Expenses	<u>1,559</u>	<u>1,567</u>	<u>(8)</u>
<b>Current Assets</b>	<b><u>147,511</u></b>	<b><u>90,433</u></b>	<b><u>57,078</u></b>
Office Equipment – net	14,803	16,082	(1,279)
Other noncurrent assets	<u>100,095</u>	<u>0</u>	<u>100,095</u>
<b>Noncurrent Assets</b>	<b><u>114,898</u></b>	<b><u>16,082</u></b>	<b><u>98,816</u></b>
<b>TOTAL ASSETS</b>	<b><u>262,409</u></b>	<b><u>106,515</u></b>	<b><u>155,894</u></b>
Accrued Salaries Payable	<u>211</u>	<u>0</u>	<u>211</u>
<b>Current Liabilities</b>	<b><u>211</u></b>	<b><u>0</u></b>	<b><u>211</u></b>
Invested in capital assets	14,803	16,082	(1,279)
Unrestricted net assets	<u>247,395</u>	<u>90,433</u>	<u>156,962</u>
<b><u>Net Assets/Retained Earnings</u></b>	<b><u>\$262,198</u></b>	<b><u>\$106,515</u></b>	<b><u>\$155,683</u></b>

\*Current assets increased \$57,078, while current liabilities also increased by \$211. The large increase in cash balance is attributed to larger than expected HUD funding and the receipt of developer funds for Arbor Woods Apartments, a tax credit project for which the Housing Authority, Inc. is the general partner.

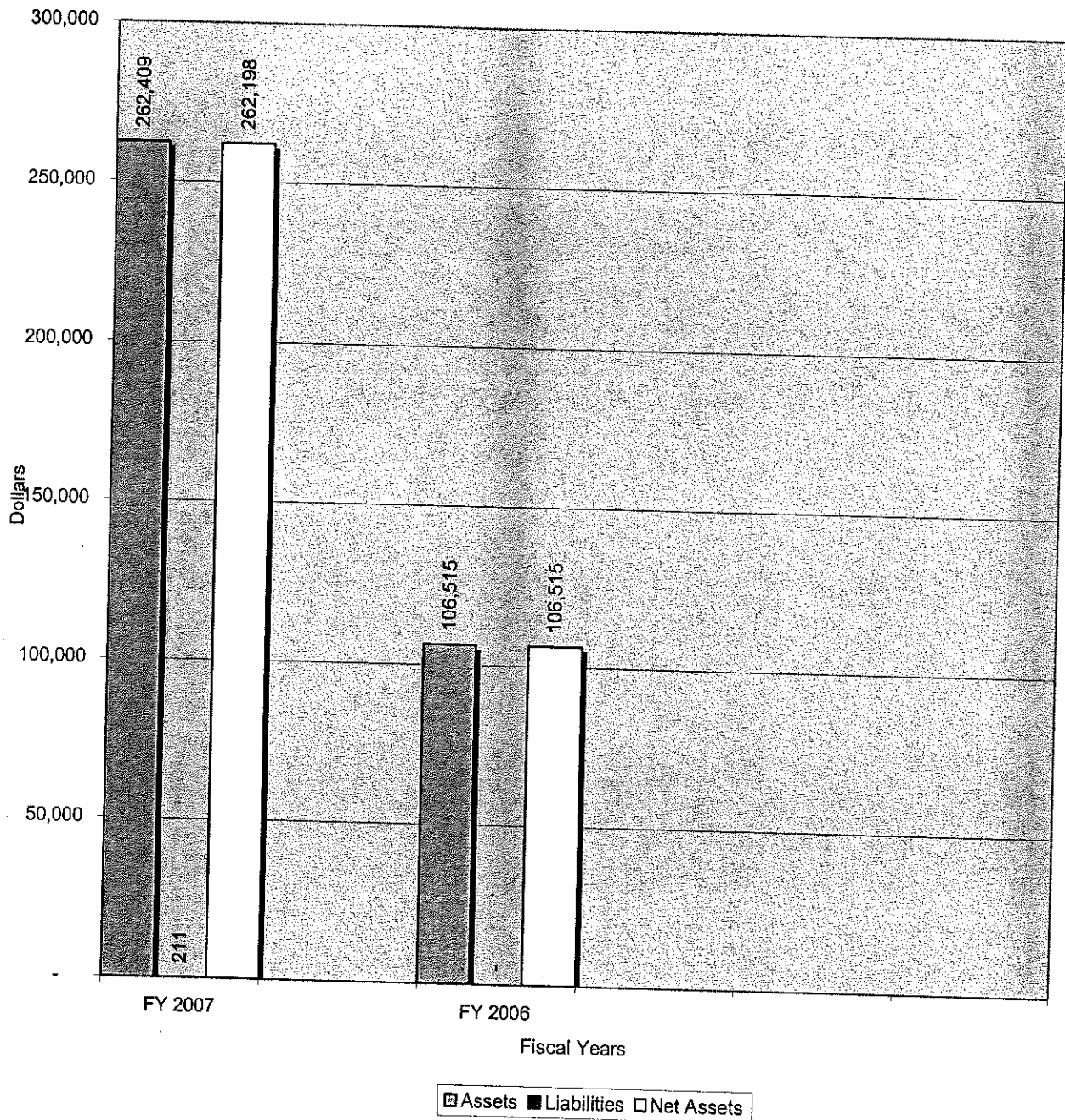
\*Other noncurrent assets increased by \$100,095 due to invested capital in a new tax credit project, 56-unit Arbor Woods Apartments.

\*Office equipment decreased by \$1,279 due to a small amount of new equipment expenditures and larger depreciation amounts based on increased assets.

\*The minor increase in accrued liabilities can be attributed to the fact there were no accrued salaries payable for 2006, as the pay period ended on June 30th.

**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2007**

**Section 8 Housing Choice Voucher Program**  
**Changes in Net Assets FY 2006 - FY 2007**



**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2007**

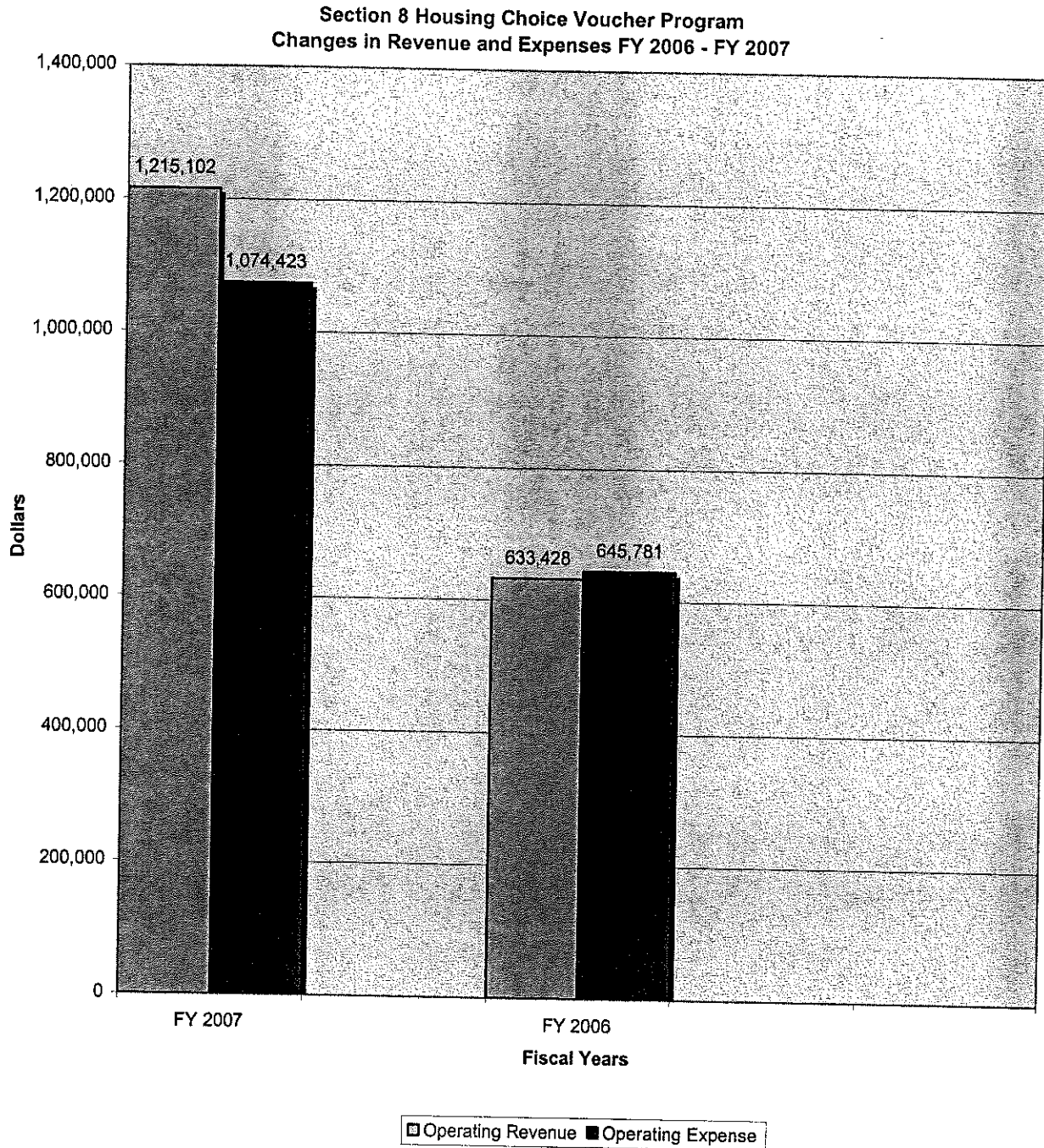
**TABLE 2**  
**Statement of Revenues, Expenses & Changes in Net Assets**

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
<b>OPERATING REVENUES</b>			
Government operating grants	1,077,373	642,759	434,614
Interest Income – HUD Funds	44	46	(2)
Other Income	133,717	0	133,717
Fraud Recovery	<u>3,968</u>	<u>1,500</u>	<u>2,468</u>
<b>Total operating revenues</b>	<b>1,215,102</b>	<b>644,305</b>	<b>570,797</b>
<b>OPERATING EXPENSES</b>			
Administrative	531,212	80,635	450,577
General	2,371	2,471	(100)
Housing assistance payments	537,561	558,246	(20,685)
Depreciation	<u>3,279</u>	<u>4,429</u>	<u>(1,150)</u>
<b>Total operating expenses</b>	<b><u>1,074,423</u></b>	<b><u>645,781</u></b>	<b><u>428,642</u></b>
<b>Operating income (loss)</b>	<b>140,679</b>	<b>(1,476)</b>	<b>142,155</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	<u>4,127</u>	<u>2,283</u>	<u>1,844</u>
<b>Total nonoperating revenue (expenses)</b>	<b><u>4,127</u></b>	<b><u>2,283</u></b>	<b><u>1,844</u></b>
Income (loss) before contributions and transfers	144,806	807	143,999
Change in net assets	144,806	807	143,999
Total net assets – beginning	<u>117,392</u>	<u>116,585</u>	<u>807</u>
<b>Total net assets – ending</b>	<b><u>262,198</u></b>	<b><u>117,392</u></b>	<b><u>144,806</u></b>

Operating revenues increased, due mostly to receipt of other income in the form of HOME funds for tax credit project Arbor Woods Apartments and developer fees received by the Housing Authority. HAP expenses decreased by \$20,685 due to decreased lease-up based on prior year HUD funding overspending and fear of continued overspending with little notice or knowledge of future HUD funding outlook.

**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2007**

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**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2007**

**TABLE 3**  
**Statement of Cash Flows**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	140,679	(12,353)
Depreciation	3,279	4,429
<b>Changes in operating assets &amp; liabilities:</b>		
(Increase) Decrease in:		
Accounts receivable	952	(247)
Prepaid expenses	8	90
Increase (Decrease) in:		
Deferred revenue	0	(14,116)
Accounts payable	<u>211</u>	<u>(1,569)</u>
<b>Net Cash Flows Provided (Used)</b>		
<b>By Operating Activities</b>	<u>145,129</u>	<u>(23,766)</u>
 <b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(2,000)	(17,692)
Investments in Joint Ventures	<u>(100,095)</u>	<u>0</u>
<b>Net Cash Flows Provided (Used)</b>		
<b>By Capital &amp; Related Financing Activities</b>	<u>(102,095)</u>	<u>(17,692)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>4,127</u>	<u>2,283</u>
<b>Net Cash Flows Provided</b>		
<b>By Investing Activities</b>	<u>4,127</u>	<u>2,283</u>
 Net Increase (Decrease) in Cash	<u>58,038</u>	<u>(39,175)</u>
<b>BEGINNING CASH &amp; CASH EQUIVALENTS</b>	<u>87,035</u>	<u>126,210</u>
<b>ENDING CASH &amp; CASH EQUIVALENTS</b>	<u>\$ 145,073</u>	<u>\$ 87,035</u>

**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2007**

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**CHANGES IN CAPITAL ASSETS**

7.1.06 Beginning Balance Capital Assets, net	\$ 16,082
Plus: New equipment purchases in current year	2,000
Less: Current period depreciation	<u>(3,279)</u>
6.30.07 Ending Balance Capital Assets, net	<u>\$ 14,803</u>

**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, 2007

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 145,073
Accounts receivable, net	879
Prepaid expenses	1,559
<b>Total Current Assets</b>	<u>147,511</u>

**Capital Assets**

Depreciable capital assets, net	14,803
<b>Total Capital Assets</b>	<u>14,803</u>

Investments in Joint Ventures	<u>100,095</u>
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<b>Total Assets</b>	<u>262,409</u>
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**LIABILITIES**

**Current liabilities**

Accrued wages payable	211
<b>Total Current Liabilities</b>	<u>211</u>

<b>Total Liabilities</b>	<u>211</u>
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**NET ASSETS**

Invested in capital assets	14,803
Unrestricted	247,395
<b>Total Net Assets</b>	<u>\$ 262,198</u>

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, 2007

OPERATING REVENUES

Rental income	\$	0
Other income		137,729
		137,729

**TOTAL OPERATING REVENUE**

**137,729**

OPERATING EXPENSES

Administrative		531,212
General expense		2,371
Housing assistance payments		537,561
Depreciation expense		3,279
		1,074,423

**TOTAL OPERATING EXPENSES**

**1,074,423**

**OPERATING INCOME (LOSS)**

**(936,694)**

NONOPERATING REVENUES (EXPENSES)

Federal operating grants		1,077,373
Interest income		4,127
		1,081,500

**TOTAL NONOPERATING REVENUES (EXPENSES)**

**1,081,500**

**CHANGE IN NET ASSETS**

**144,806**

TOTAL NET ASSETS - BEGINNING

OF YEAR, as originally stated		106,515
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Prior period adjustments

10,877

TOTAL NET ASSETS - BEGINNING OF YEAR,

as restated		117,392
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**TOTAL NET ASSETS - END OF YEAR**

**\$ 262,198**

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, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$ 138,681
Payments to vendors and employees	(533,364)
Payments to landlords	(537,561)
<b>Net Cash Used by Operating Activities</b>	<b><u>(932,244)</u></b>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating grants received	1,088,250
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b><u>1,088,250</u></b>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	4,127
<b>Net Cash Flows Provided by Investing Activities</b>	<b><u>4,127</u></b>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Investment in partnerships	(100,095)
Purchase of capital assets	(2,000)
<b>Net Cash Flows (Used)</b>	<b><u>(102,095)</u></b>
<b>by Capital and Related Financing Activities</b>	<b><u>(102,095)</u></b>

Net Increase (Decrease) in Cash and Cash Equivalents 58,038

Cash - Beginning of year 87,035

Cash - End of year \$ 145,073

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

Operating income	\$ (936,694)
<b>Adjustments to reconcile net income to net cash</b>	
<b>Provided by operating activities:</b>	
Depreciation	3,279
<b>Changes in operating assets and liabilities:</b>	
(Increase) Decrease in:	
Accounts receivable	952
Prepaid expenses	8
Increase (Decrease) in:	
Accrued payables	<u>211</u>
<b>Net Cash Flows Used by Operating Activities</b>	<b><u>\$ (932,244)</u></b>

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

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

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. and the Fulton County Housing Authority, Inc. are 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. and Fulton County Housing Authority, Inc.'s financial information (Section 8 component units) have been blended with the Fulton County Housing Authority.

At June 30, 2007, 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, 2007

(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.

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.

Prepaid - Prepays represent payments made to vendors for services that will benefit beyond June 30, 2007.

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

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Continued)

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

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 \$250 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 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.

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, 2007

(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 \$145,073 at June 30, 2007. Bank balances before reconciling items were \$151,034 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	\$ 47,553
Checking accounts	97,520
Total	<u>\$145,073</u>

**NOTE C - Accounts Receivable:**

Accounts receivable at June 30, 2007, consist of the following:

Fraud recovery receivable net of allowance of \$5,707	\$ 0
Accrued interest receivable	879
Total	<u>\$ 879</u>

**NOTE D - Prepaid Expenses:**

Prepaid expenses at June 30, 2007, consist of the following:

Prepaid insurance	<u>\$ 1,559</u>
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FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Continued)

**NOTE E - Investments in Partnerships:**

Investments at June 30, 2007 consist of the following:

Partnership - Arbor Woods Apartments L.P.	<u>\$100,095</u>
	<u>\$100,095</u>

The Housing Authority 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 F - Capital Assets:**

A summary in changes in capital assets is as follows:

	Beginning Balance <u>7/1/06</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>6/30/07</u>
Capital Assets, being depreciated:				
Furniture, equipment & Machinery	\$ 19,881	\$ 2,000	\$ 0	\$ 21,881
Total Capital Assets, being depreciated	<u>19,881</u>	<u>2,000</u>	<u>0</u>	<u>21,881</u>
Less Accumulated Depreciation:	<u>( 3,799)</u>	<u>( 3,279)</u>	<u>0</u>	<u>( 7,078)</u>
Total Capital Assets, being depreciated, net	<u>16,082</u>	<u>( 1,279)</u>	<u>0</u>	<u>14,803</u>
Capital Assets, Net	<u>\$ 16,082</u>	<u>\$ ( 1,279)</u>	<u>\$ 0</u>	<u>\$ 14,803</u>

Depreciation expense of \$3,279 was incurred during the year.

**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 were no examinations during the year ended June 30, 2007.

**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, 2007

(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	\$ 622,373
HOME Investment Partnerships Program	455,000
Total	<u>\$ 1,077,373</u>

**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 88% 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 component non-profit units are partners 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, 2007

	ACC C-2014 Section 8 Vouchers	Component Unit	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 111,243	\$ 33,830	\$ 145,073
Accounts receivable, net	879	0	879
Prepaid expenses	1,559	0	1,559
<b>Total Current Assets</b>	<b>113,681</b>	<b>33,830</b>	<b>147,511</b>
<b>Capital Assets, net</b>	<b>14,803</b>	<b>0</b>	<b>14,803</b>
<b>Investments in Joint Ventures</b>	<b>0</b>	<b>100,095</b>	<b>100,095</b>
<b>Total Assets</b>	<b>128,484</b>	<b>133,925</b>	<b>262,409</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accrued wages payable	211	0	211
<b>Current liabilities</b>	<b>211</b>	<b>0</b>	<b>211</b>
<b>Equity</b>			
Invested in capital assets	14,803	0	14,803
Unrestricted net assets	113,470	133,925	247,395
<b>TOTAL NET ASSETS</b>	<b>\$ 128,273</b>	<b>\$ 133,925</b>	<b>\$ 262,198</b>

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007

	ACC C-2014 Section 8 Vouchers	Component Unit	Total
<b>OPERATING REVENUES</b>			
Rental income	\$ 0	\$ 0	\$ 0
Other income	3,968	133,761	137,729
<b>TOTAL OPERATING REVENUE</b>	<b>3,968</b>	<b>133,761</b>	<b>137,729</b>
<b>OPERATING EXPENSES</b>			
Administrative	76,212	455,000	531,212
General expense	2,371	0	2,371
Housing assistance payments	537,561	0	537,561
Depreciation expense	3,279	0	3,279
<b>TOTAL OPERATING EXPENSES</b>	<b>619,423</b>	<b>455,000</b>	<b>1,074,423</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(615,455)</b>	<b>(321,239)</b>	<b>(936,694)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal operating grants	622,373	455,000	1,077,373
Interest income	3,963	164	4,127
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>626,336</b>	<b>455,164</b>	<b>1,081,500</b>
<b>CHANGE IN NET ASSETS</b>	<b>10,881</b>	<b>133,925</b>	<b>144,806</b>
<b>TOTAL NET ASSETS - BEGINNING OF YEAR, as originally stated</b>			
	106,515	0	106,515
<b>Prior period adjustments</b>			
	10,877	0	10,877
<b>TOTAL NET ASSETS - BEGINNING OF YEAR, as restated</b>	<b>117,392</b>	<b>0</b>	<b>117,392</b>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ 128,273</b>	<b>\$ 133,925</b>	<b>\$ 262,198</b>

PHA: IN069 FYED: 06/30/2007

Line Item No.	Account Description	HOME Investment Partnerships Program	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$33,830	\$111,243	\$145,073
100	Total Cash	\$33,830	\$111,243	\$145,073
128	Fraud Recovery	\$0	\$5,707	\$5,707
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$-5,707	\$-5,707
129	Accrued Interest Receivable	\$0	\$879	\$879
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$879	\$879
142	Prepaid Expenses and Other Assets	\$0	\$1,559	\$1,559
150	Total Current Assets	\$33,830	\$113,681	\$147,511
164	Furniture, Equipment & Machinery - Administration	\$0	\$21,881	\$21,881
165	Leasehold Improvements	\$0	\$0	\$0
166	Accumulated Depreciation	\$0	\$-7,078	\$-7,078
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$14,803	\$14,803
176	Investments in Joint Ventures	\$100,095	\$0	\$100,095
180	Total Non-Current Assets	\$100,095	\$14,803	\$114,898
190	Total Assets	\$133,925	\$128,484	\$262,409

PHA: IN069 FYED: 06/30/2007

Line Item No.	Account Description	HOME Investment Partnerships Program	Housing Choice Vouchers	Total
321	Accrued Wage/Payroll Taxes Payable	\$0	\$211	\$211
310	Total Current Liabilities	\$0	\$211	\$211
350	Total Noncurrent Liabilities	\$0	\$0	\$0
300	Total Liabilities	\$0	\$211	\$211
508	Total Contributed Capital	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$14,803	\$14,803
511	Total Reserved Fund Balance	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$133,925	\$113,470	\$247,395
513	Total Equity/Net Assets	\$133,925	\$128,273	\$262,198
600	Total Liabilities and Equity/Net Assets	\$133,925	\$128,484	\$262,409

PHA: IN069 FYED: 06/30/2007

Line Item No.	Account Description	HOME Investment Partnerships Program	Housing Choice Vouchers	Total
705	Total Tenant Revenue	\$0	\$0	\$0
706	HUD PHA Operating Grants	\$0	\$622,373	\$622,373
708	Other Government Grants	\$455,000	\$0	\$455,000
711	Investment Income - Unrestricted	\$164	\$3,963	\$4,127
714	Fraud Recovery	\$0	\$3,968	\$3,968
715	Other Revenue	\$133,761	\$0	\$133,761
700	Total Revenue	\$588,925	\$630,304	\$1,219,229

PHA: IN069 FYED: 06/30/2007

Line Item No.	Account Description	HOMIE Investment Partnerships Program	Housing Choice Vouchers	Total
911	Administrative Salaries	\$0	\$48,202	\$48,202
912	Auditing Fees	\$0	\$2,097	\$2,097
915	Employee Benefit Contributions - Administrative	\$0	\$3,756	\$3,756
916	Other Operating - Administrative	\$455,000	\$22,157	\$477,157
961	Insurance Premiums	\$0	\$2,371	\$2,371
969	Total Operating Expenses	\$455,000	\$78,583	\$533,583
970	Excess Operating Revenue over Operating Expenses	\$133,925	\$551,721	\$685,646
973	Housing Assistance Payments	\$0	\$537,561	\$537,561
974	Depreciation Expense	\$0	\$3,279	\$3,279
900	Total Expenses	\$455,000	\$619,423	\$1,074,423
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$133,925	\$10,881	\$144,806

PHA: IN069 FYED: 06/30/2007

Line Item No.	Account Description	HOME Investment Partnerships Program	Housing Choice Vouchers	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0
1103	Beginning Equity	\$0	\$106,515	\$106,515
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$10,877	\$10,877
1120	Unit Months Available	0	2,100	2,100
1121	Number of Unit Months Leased	0	1,701	1,701
1117	Administrative Fee Equity	\$0	\$117,175	\$117,175
1118	Housing Assistance Payments Equity	\$0	\$11,098	\$11,098

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FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>AWARD</u>	<u>EXPENDITURES</u>
	<u>U. S. DEPARTMENT OF HUD</u>			
C-2014	Section 8 Housing Choice Voucher Program	14.871	\$ 622,273	\$ 622,273
N/A	Home Investment Partnership Program	14.239	<u>455,000</u>	<u>455,000</u>
	Total HUD		<u>\$ 1,077,273</u>	<u>\$ 1,077,273</u>

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

870 Cinderella Court  
Decatur, GA 30033-5812

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

Board of Commissioners  
Fulton County Housing Authority  
625 Pontiac Street  
Rochester, Indiana 46975

I have audited the financial statements of the Fulton County Housing Authority, as of and for the year ended June 30, 2007 and have issued my report thereon dated December 5, 2007, 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 Fulton County Housing Authority's internal control over financial reporting as a basis for designing My auditing procedures for the purpose of expressing My opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fulton County Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

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. I consider the deficiencies described in the accompanying schedule of findings and Questioned costs to be significant deficiencies in internal control over financial reporting.

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.

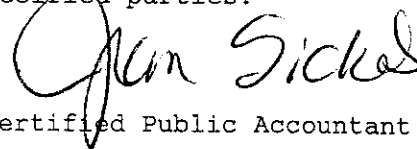
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fulton County Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Compliance and Other Matters (continued)

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2007-01.

This report is intended solely for the information and use of the audit committee, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountant

Decatur, Georgia  
December 5, 2007

*Jean Sickels*

**Certified Public Accountant**  
870 Cinderella Court  
Decatur, GA 30033-5812

**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  
625 Pontiac Street  
Rochester, Indiana 46975

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, 2007. 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 the 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 the 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 on the Fulton County Housing Authority's compliance with those requirements.

As described in item 2007-01 in the accompanying Schedule of Findings and Questioned Costs, the Fulton County Housing Authority did not comply with requirements regarding special tests and provisions that are applicable to its Home Investment Partnership Program. Compliance with such requirements is necessary, in my opinion, for the Fulton County Housing Authority to comply with the requirements applicable to that program.

Internal Control Over Compliance

The management of the Fulton County Housing Authority is responsible for establishing and maintaining effective internal control over compliance with 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to I significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I did not consider any of the deficiencies described in the schedule of findings and questioned costs to be material weaknesses.

The Fulton County Housing Authority's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Fulton County Housing Authority's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Authority's management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant

Decatur, Georgia  
December 5, 2007

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

JUNE 30, 2007

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)? X yes    \_\_\_\_\_ 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?

X yes    \_\_\_\_\_ no

Identification of major programs:

CFDA Number

14.871  
14.872

Name of Federal Program

Housing Choice Vouchers  
Capital Fund Program

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

Finding 2007-01 is a Financial Statement Finding

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2007-01 is a Federal Award Finding.

FULTON COUNTY HOUSING AUTHORITY  
Rochester, Indiana

JUNE 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CURRENT YEAR FINDINGS

2007-01

CONDITION: COMPONENT UNITS NOT INCLUDED  
The Authority did not include the component unit transactions.

CFDA #: 14.239

CRITERIA: Auditing Standards (SAS 112) require the Housing Authority to have internal controls over financial statement reporting.

CAUSE/EFFECT: The Authority was unaware of how to properly account for the component.

RECOMMENDATION: The Authority should examine the existing staffing and internal controls over financial statements and determine if changes need to be made.

REPLY: The Fulton County Housing Authority (HA) entered into a tax credit project for a 56-unit apartment complex named Arbor Woods. Before the decision was made by our HA to proceed with this endeavor, many questions regarding the accounting of this new project were asked of various sources (other HA's that had the same project, co-developer, accounting firms, etc.) as the Executive Director (ED) is completely responsible for all bookkeeping for the HA. Limited funding and a two person staff make it difficult to outsource the accounting duties when the ED is capable of providing this service related to the Section 8 Housing Choice Voucher program. After reassurances that the HA books would not be affected by the project, we entered into the limited partnership agreement.

It was only during our recent audit that we were informed that this is NOT the case and we have to include the component unit in our accounting transactions. Auditor explained this and with her help we were able to account properly for the component unit.

At this time, it is the feeling of the HA that we are not in a position to outsource the accounting duties, and the ED should be able to continue accounting correctly for this new project in the future. A separate set of books will be kept for the non-profit organization. If it appears that this duty begins to go beyond the skills of the ED, then we will have to consider hiring an accountant for the work related solely to the component unit.