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October 3, 2013

Board of Directors  
Fremont Housing Authority  
3160 Spring Street  
Fremont, IN 46737

We have reviewed the audit report prepared by Pamela J. Simpson, Independent Public Accountant, for the period April 1, 2007 to March 31, 2008. 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 Fremont Housing Authority, as of March 31, 2008 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

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

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

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**TWELVE MONTHS ENDED MARCH 31, 2008**

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

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

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## Independent Auditor=s Report

Board of Directors  
Fremont Housing Authority  
Fremont, Indiana

I have audited the accompanying financial statements of Fremont Housing Authority, as of and for the year ended March 31, 2008, 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 basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 in the first paragraph present fairly, in all material respects, the financial position of Fremont Housing Authority, as of March 31, 2008 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 29, 2008, on my consideration of the Fremont 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 controls 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 and budgetary comparison information on pages 3 through 7, are 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 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 conducted for the purpose of forming opinions on the financial statements of the Fremont Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Fremont Housing Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Fremont Housing Authority. 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 materials respects in relation to the financial statements taken as a whole.

Decatur, Illinois  
May 29, 2008

*Pamela J. Simpson*  
Certified Public Accountant



**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF MARCH 31, 2008**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 41,130
Security deposit cash	5,530
Accrued interest receivable	348
Investments	260,526
Deferred charges	<u>7,309</u>

Total Current Assets \$ 314,843

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 2,141,507
Less: Accumulated depreciation	<u>-1,217,123</u>

Net Capital Assets \$ 924,384

Total Assets \$ 1,239,227

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	\$ 9,713
Accrued liabilities	9,550
Deferred revenue	<u>424</u>

Total Current Liabilities \$ 19,687

**NET ASSETS**

Invested in capital assets	\$ 924,384
Unrestricted	<u>295,156</u>

Total Net Assets \$ 1,219,540

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2008**

Operating Income

Tenant rental revenue	\$ 76,848
Total Rental Revenue	\$ 76,848
HUD grants - operating	54,232
Other revenue	4,133
Gain/loss on sale of fixed assets	<u>-88</u>
Total Operating Income	<u>\$ 135,125</u>

Operating Expenses

Administration	\$ 58,941
Utilities	15,046
Ordinary maintenance and operation	39,224
General expense	15,851
Depreciation	<u>84,310</u>
Total Operating Expenses	<u>\$ 213,372</u>
Net Operating Income (Loss)	<u>\$ -78,247</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 41,614
Interest income	<u>9,755</u>
Total Nonoperating Income (Expense)	<u>\$ 51,369</u>
Changes in net assets	\$ -26,878
Net assets, beginning of year	<u>1,246,418</u>
Net assets, end of year	<u><u>\$ 1,219,540</u></u>

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2008**

Operating Activities

Operating grants	\$ 54,232
Tenant revenue	76,848
Other revenue	4,133
Payments to employees	-47,865
Payments to suppliers and contractors	<u>-78,371</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,977</u>

Investing Activities

Investments (purchased) redeemed	\$ -9,175
Interest income	<u>9,877</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 702</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 41,614
(Additions) deletions of fixed assets	<u>-48,718</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -7,104</u>

Net Change in Cash	\$ 2,575
Cash Balance at March 31, 2007	<u>38,555</u>
Cash Balance at March 31, 2008	<u>\$ 41,130</u>

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2008**

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

Net operating income (loss)	\$ -78,247
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	84,310
(Increase) decrease in deferred charges	-152
Increase (decrease) in accounts payable	2,243
Increase (decrease) in accrued liabilities	399
Increase (decrease) in deferred revenues	<u>424</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,977</u>

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Fremont Housing Authority was established by the City of Fremont pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Fremont and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Fremont Housing Authority is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

Prior to April 1, 1999, the records of the Housing Authority were maintained on an accrual basis in accordance with the accounting procedures prescribed by the Department of Housing and Urban Development as outlined in the Low-Rent Housing, Accounting Handbook, HM 7510.1. These practices differ in some respects from generally accepted accounting principles. As of October 1, 1998, the Department of Housing and Urban Development mandated that all housing authorities prepare financial statements in conformity with generally accepted accounting principles (GAAP).

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

(c) Funds -

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

- \* Low Rent Public Housing
- \* Capital Fund Program

These programs are all accounted for within the >Proprietary= (enterprise) fund as described below:

*Proprietary Fund Types:*

Proprietary funds use the economic resources measurement focus and utilize the accrual basis of accounting. All assets and liabilities associated with a proprietary fund=s activities are included on the fund statement. Proprietary fund equity is segregated into Invested in Capital Assets Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets.

(d) Cash and Cash Equivalents -

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

(e) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at March 31, 2008, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(f) Investments -

Investments are stated at cost which approximates market.

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Buildings	40	years
Equipment	3 - 10	years

(h) Income Tax -

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

(i) Annual Contributions/Subsidies and Other Grants

Annual contributions and subsidies received from the Department of HUD are recorded as grant revenues.

Other grants (such as CFP grants) are recognized when program expenditures are incurred. Such

revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (j) The Housing Authority adopts a budget annually. The budget is approved by the Board of Commissions. Subsequent budget revisions must also be approved.
- (k) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

All cash and investments are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

*Custodial Credit Risk*

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

*Credit Risk Investments, Concentration of Credit Risk and Interest Rate Risks - Investments*

*Credit Risk* is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

*Concentrations of Credit Risk* is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

*Investment Rate Risk* is the risk that changes in interest rates will adversely affect the fair value

of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority=s name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution=s trust department or agent in the Housing Authority=s name.

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ <u>41,130</u>	\$ <u>43,075</u>

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority=s name.

Category 2 - Investments which are uninsured and unregistered held by the counter-party=s trust department or agent in the Housing Authority=s name.

Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority=s name.

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	\$ <u>260,526</u>	\$ <u>260,526</u>

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 3 - Compensated Absences

Vacation leave with pay shall be earned by all regular full time employees at specified rates. Employees may accrue vacation leave up to twenty working days maximum. An employee who is permanently separated shall be paid in a lump sum for any accumulated vacation leave at his current rate of pay, except where his dismissal is due to malfeasance. Employees may be paid for leave taken because of illness. Sick leave may be accumulated at the rate of one day per month, with a maximum accumulation not to exceed 30 days. In no event shall an employee be paid for sick leave not taken.

Note 4 - Defined Contribution Plan

The PHA funds a SEP-IRA plan with Farm Bureau Insurance Company for the Executive Director. The contribution is approved annually. A contribution of \$4,002 was made in the current year.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Interfund	<u>\$ 424</u>
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Note 6 - Investments

At March 31, 2008 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	.75-1.00%	<u>\$ 260,526</u>	<u>\$ 260,526</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 7,309</u>
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**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 8 - Fixed Assets

Balance as of March 31, 2008	\$ 924,384
Balance as of March 31, 2007	<u>959,976</u>
Net Increase (Decrease)	<u>\$ -35,592</u>

Reconciliation

Additions	\$ 48,718
Current year depreciation expense	<u>-84,310</u>
Net Increase (Decrease)	<u>\$ -35,592</u>

Analysis

	04/01/2007 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	03/31/08 <u>Balance</u>
Land	\$ 27,925	\$ 14,281	\$ 0	\$ 42,206
Buildings	2,007,587	45,694	0	2,053,281
Equipment and furniture	46,359	0	339	46,020
Leasehold improvements	<u>11,570</u>	<u>0</u>	<u>11,570</u>	<u>0</u>
Total	\$ 2,093,441	\$ 59,975	\$ 11,909	\$ 2,141,507
Accumulated depreciation	<u>-1,133,465</u>	<u>-84,310</u>	<u>-652</u>	<u>-1,217,123</u>
Net Assets	<u>\$ 959,976</u>	<u>\$ -24,335</u>	<u>\$ 11,257</u>	<u>\$ 924,384</u>

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 3,850
Payroll taxes payable	904

Tenants security deposits	4,959
	<hr/>
Subtotal	\$ 9,713
Interfund	424
	<hr/>
Total	<u>\$ 10,137</u>

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 10 - Notes Payable

On August 4, 1987, the U.S. Department of Housing and Urban Development (HUD) issued notice PIH 87-212 to implement the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (PL 99-272, enacted April 7, 1986). This notice states, in part, the following:

Project debt to HUD (HUD-held notes) will be forgiven after a debt forgiveness amendment to the consolidated Annual Contributions Contract has been executed by HUD and the Public Housing Authority and after the Actual Development Cost Certificate has been included in an audit and approved.

As a part of the HUD mandated GAAP conversion and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Accrued compensated absences	\$ 3,370
Accrued interest payable	348
Payment in lieu of taxes	<hr/> 6,180
Total	<u>\$ 9,898</u>

Note 12 - Deferred Revenue

This classification consists of the following:

Deferred grant revenue	<u>\$ 424</u>
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Note 13 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the

purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 14 - Activities of the PHA

The Housing Authority had 40 units in management at March 31, 2008.

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 15 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

For insured programs there has been no significant reduction in insurance coverage. Settled claims have not exceeded insurance coverage in the current or past three years.

Note 16 - Economic Dependency

The Housing Authority received a significant portion of its revenue (51%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

**SUPPLEMENTAL DATA**

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing	14.850a	C-2084	FYE 03/31/08	\$ 54,232	\$ 54,232	\$ 54,232
Capital Funds Program	14.872	C-2084	FYE 03/31/08	\$ 144,290	\$ 41,614	\$ 41,614
Total Housing Assistance				<u>\$ 198,522</u>	<u>\$ 95,846</u>	<u>\$ 95,846</u>

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**STATEMENT OF NET ASSETS  
AS OF MARCH 31, 2008**

<u><b>ASSETS</b></u>	<u>Low Rent</u>	<u>Capital Funds</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 41,130	\$ 0
Security deposit cash	5,530	0
Accounts receivable	0	424
Accrued interest receivable	348	0
Investments	260,526	0
Deferred charges	<u>7,309</u>	<u>0</u>
Total Current Assets	<u>\$ 314,843</u>	<u>\$ 424</u>
<b>CAPITAL ASSETS</b>		
Land, buildings and equipment	\$ 2,090,817	\$ 50,690
Less: Accumulated depreciation	<u>-1,214,828</u>	<u>-2,295</u>
Net Capital Assets	<u>\$ 875,989</u>	<u>\$ 48,395</u>
Total Assets	<u>\$ 1,190,832</u>	<u>\$ 48,819</u>
<u><b>LIABILITIES</b></u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,137	\$ 0
Accrued liabilities	9,550	0
Deferred revenue	<u>0</u>	<u>424</u>
Total Current Liabilities	<u>\$ 19,687</u>	<u>\$ 424</u>
<u><b>NET ASSETS</b></u>		
Invested in capital assets	\$ 875,989	\$ 48,395
Unrestricted	<u>295,156</u>	<u>0</u>

Total Net Assets \$ 1,171,145    \$ 48,395

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES  
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Operating Income</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Tenant rental revenue	\$ 76,848	\$ 0
Total Rental Revenue	\$ 76,848	\$ 0
HUD grants - operating	54,232	0
Other income	4,133	0
Gain/loss on sale of fixed assets	<u>-88</u>	<u>0</u>
Total Operating Income	\$ <u>135,125</u>	\$ <u>0</u>
 <u>Operating Expenses</u>		
Administration	\$ 58,941	\$ 0
Utilities	15,046	0
Ordinary maintenance and operation	39,224	0
General expense	15,851	0
Depreciation	<u>82,318</u>	<u>1,992</u>
Total Operating Expenses	\$ <u>211,380</u>	\$ <u>1,992</u>
Net Operating Income (Loss)	\$ <u>-76,255</u>	\$ <u>-1,992</u>
 <u>Nonoperating Income (Expense)</u>		
HUD grants - capital	\$ 0	\$ 41,614
Interest income	<u>9,755</u>	<u>0</u>
Total Nonoperating Income (Expense)	\$ <u>9,755</u>	\$ <u>41,614</u>
Changes in Net Assets	\$ <u>-66,500</u>	\$ <u>39,622</u>

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**STATEMENT OF CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Invested in Capital Assets</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Balance at March 31, 2007	\$ 943,395	\$ 16,581
Current year net income (loss)	-75,214	39,622
Transfer	<u>7,808</u>	<u>-7,808</u>
Balance at March 31, 2008	<u>\$ 875,989</u>	<u>\$ 48,395</u>
 <u>Unrestricted Net Assets</u>		
Balance at March 31, 2007	\$ 286,442	\$ 0
Current year net income (loss)	<u>8,714</u>	<u>0</u>
Balance at March 31, 2008	<u>\$ 295,156</u>	<u>\$ 0</u>
Total Net Assets	<u>\$ 1,171,145</u>	<u>\$ 48,395</u>

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Operating grants	\$ 54,232	\$ 0
Tenant revenue	76,848	0
Other revenue	4,133	0
Payments to employees	-47,865	0
Payments to suppliers and contractors	<u>-78,371</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,977</u>	<u>\$ 0</u>
 <u>Investing Activities</u>		
Investments (purchased) redeemed	\$ -9,175	\$ 0
Interest income	<u>9,877</u>	<u>0</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 702</u>	<u>\$ 0</u>
 <u>Capital and Related Financing Activities</u>		
HUD grants - capital	\$ 0	\$ 41,614
(Additions) deletions to fixed assets	<u>-7,104</u>	<u>-41,614</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -7,104</u>	<u>\$ 0</u>
Net Change in Cash	\$ 2,575	\$ 0
Cash Balance at March 31, 2007	<u>38,555</u>	<u>0</u>
Cash Balance at March 31, 2008	<u>\$ 41,130</u>	<u>\$ 0</u>

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Reconciliation of Operating Income (Loss) to Net Cash</u> <u>Provided (Used) by Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Net operating income (loss)	\$ -76,255	\$ -1,992
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	82,318	1,992
(Increase) decrease in accounts receivable	0	-424
(Increase) decrease in deferred charges	-152	0
Increase (decrease) in accounts payable	2,667	0
Increase (decrease) in accrued liabilities	399	0
Increase (decrease) in deferred revenues	<u>0</u>	<u>424</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,977</u>	<u>\$ 0</u>

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

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## **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  
Fremont Housing Authority  
Fremont, Indiana

I have audited the financial statements of the governmental activities and the aggregate discretely presented component unit of Fremont Housing Authority as of and for the year ended March 31, 2008, which collectively comprise the Fremont Housing Authority=s basic financial statements and have issued my report thereon dated May 29, 2008. 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 Fremont 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 Fremont Housing Authority=s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Fremont Housing Authority=s internal control over financial reporting.

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

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

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

### Compliance and Other Matters

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

This reported in intended solely for the information of management, the Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois  
May 29, 2008

*Pamela J. Simpson*  
Certified Public Accountant

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended March 31, 2007 contained no findings.

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE TWELVE MONTHS ENDED MARCH 31, 2008**

**Section I - Summary of Auditor=s Results**

*Financial Statements*

Low Risk Auditee X \_\_\_\_\_ yes \_\_\_\_\_ no

Type of auditor=s report: Unqualified

\* 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 weaknesses? \_\_\_\_\_ yes X \_\_\_\_\_ none reported

Type of auditor=s report issued on compliance for major programs: NONE

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

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

NONE

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**CURRENT FINDINGS AND RECOMMENDATIONS**

**Section II - Financial Statements Findings**

There were no findings discussed with Jerry Foster, Executive Director during the audit or at an exit conference held May 29, 2008.

**Section III - Federal Awards Findings**

There were no findings discussed with Jerry Foster, Executive Director during the audit or at an exit conference held May 29, 2008.

**FREMONT HOUSING AUTHORITY  
FREMONT, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2008**

<u>Low Rent</u>	<u>Audit</u> <u>Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting</u> <u>Account Number</u>
(1)				
Compensated absence expense	4110.50	\$ 3,369.60		4110.5
Administrative salary expense	4110		\$ 3,369.60	4110
(To reclassify compensated absence from administrative salary to compensated absence expense)				

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Board of Commissioners  
Fremont Housing Authority  
Fremont, Indiana

In planning and performing my audit of the financial statements of Fremont Housing Authority as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fremont Housing Authority=s internal control. Accordingly, I do not express an opinion on the effectiveness of Fremont Housing Authority=s internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

1. The Housing Authority=s entire system of internal controls should be formally documented in a written internal control manual (handbook). Discussions with Housing Authority management indicate that the Housing Authority has a system of internal control in place, but without all of the prescribed policies being in writing and formally adopted, adherence to the procedures cannot always be verified.

In addition to the current informal policies being used, other policies you should consider:

- (a) approval of journal entries and financial statements by management and/or the Board of Commissioners (hard copies should be initialed)
- (b) documentation of approval of payroll (payroll registers should be initialed or signed)
- (c) personal use of agency assets (such as automobile, cell phone, etc).

A written manual will aid in the training of new staff, assure management of consistency in policy application and provide more accurate financial statements

If the internal control policies of the Housing Authority include procedures performed by a service organization and/or fee accountant, those procedures must be documented and included in your internal control policies and procedures.

This communication is intended solely for the information and used of management, the Board of Commissioners, and others within the housing authority, and is not intended to be and should not be used by anyone other than these specified parties. Please feel free to contact me if you have any questions.

Decatur, Illinois  
May 29, 2008

*Pamela J. Simpson*  
Certified Public Accountant