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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, 2008 to March 31, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Fremont Housing Authority, as of March 31, 2009 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

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

TWELVE MONTHS ENDED MARCH 31, 2009

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

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PAMELA J. SIMPSON, C.P.A.

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(217) 872-1908

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, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

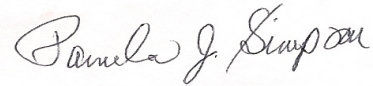
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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, 2009 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 October 2, 2009, 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.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois
October 2, 2009

**FREMONT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009**

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As management of the Fremont Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2009. We encourage readers to consider the information presented in conjunction with the Housing Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Fremont Housing Authority, P. O. Box 189, Fremont, Indiana, (260) 495-2422.

FINANCIAL HIGHLIGHTS

The Authority's unrestricted cash balance at March 31, 2009 was \$60,889, representing an increase of \$19,759 from March 31, 2008.

The total assets were \$1,229,140 at the fiscal year ending March 31, 2009, a decrease of \$10,087.

The Authority had total revenues of \$199,986, comprised of Department of Housing and Urban Development (HUD) operating subsidy of \$59,524, Capital Grants of \$48,779, tenant income of \$83,962, interest income of \$4,286 and other income of \$3,435 for the year ended March 31, 2009.

The Authority had General Fund Investments a total of \$270,029 at the fiscal year ended March 31, 2009, an increase of \$3,503.

During fiscal year ended March 31, 2009 capital fund grants 501-04 and 501-05 were completed.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Assets – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Fund Net Assets – reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities.

Future Events (New Business)

There are no future events planned by the Authority during the fiscal year ending March 31, 2010 that will significantly affect the Authority's Net Assets either positively or negatively.

**FREMONT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009**

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CONDENSED COMPARATIVE FINANCIAL STATEMENTS

Analysis of Entity Wide Net Assets

Total Assets for FYE 2009 was \$1,229,140 and at FYE 2008 the amount was \$1,239,227. This represents a net decrease of \$10,087.

Cash increased by \$19,472 or 42% due to cost saving measures which resulted in revenues over expenditures of \$77,246 before depreciation expense.

Other Current Assets increased by \$4,708. The Authority increased the investment accounts due to operating profits and realized an increase in prepaid expenses.

Capital Assets decreased by \$34,267. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased by \$54.

The table below illustrates our analysis:

	<u>2009</u>	<u>2008</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	66,132	46,660	19,472	42%
Other Current Assets	272,891	268,183	4,708	2%
Capital Assets	890,117	924,384	(34,267)	-4%
Total Assets	<u>1,229,140</u>	<u>1,239,227</u>	<u>(10,087)</u>	<u>-1%</u>
Current Liabilities	19,741	19,687	54	0%
Noncurrent Liabilities	0	0	0	0%
Total Liabilities	<u>19,741</u>	<u>19,687</u>	<u>54</u>	<u>0%</u>
Net Invested in Capital Assets	890,117	924,384	(34,267)	-4%
Unrestricted Net Assets	319,282	295,156	24,126	8%
Total Net Assets	<u>1,209,399</u>	<u>1,219,540</u>	<u>(10,141)</u>	<u>-1%</u>

**FREMONT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009**

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ANALYSIS OF ENTITY WIDE REVENUES

(Statement of Activities)

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2009 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$150,783
Capital Fund Grant Program	\$49,203
Total	\$199,986

Total revenues for Fiscal Year Ending March 31, 2009 were \$199,986 as compared to the total revenues for Fiscal Year Ending March 31, 2008 of \$186,494. Comparatively, FYE 2009 revenues were more than FYE 2008 revenues by \$13,492 due to increases in rents and grants.

	<u>2009</u>	<u>2008</u>	<u>Net Change</u>	<u>Percent Variances</u>
Tenant Revenue	83,962	76,848	7,114	9%
HUD Operating Grants	59,524	54,232	5,292	10%
HUD Capital Grants	48,779	41,614	7,165	17%
Investment Income	4,286	9,755	(5,469)	-56%
Other Revenue	3,435	4,133	(698)	-17%
Gain/Loss on Sale of Fixed Assets	0	-88	88	0%
Total Revenue	<u><u>\$199,986</u></u>	<u><u>\$186,494</u></u>	<u><u>\$13,492</u></u>	<u><u>7%</u></u>

More Capital Fund money was drawn in the current year for capital projects and HUD increased the operating subsidy funding.

**FREMONT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009**

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ANALYSIS OF ENTITY WIDE EXPENDITURES

Total Expenditures for Fiscal Year Ending March 31, 2009 were \$210,127 as compared to \$213,372 of total expenditures for Fiscal Year Ending March 31, 2008. Comparatively, Fiscal Year Ending 2008 expenditures were more than Fiscal Year Ending 2009 expenditures by \$3,245. Changes by major expense category will be presented below.

Administrative expenditures increases were related to minor increases in most areas.

Utilities increased by \$445 or 3% due to normal increases in utility costs and fluctuations in usage.

Maintenance expenditures decreased by \$8,319 or 21%. This was due to cost saving measures and increased capital fund expenditures.

The table below illustrates our analysis:

	<u>2009</u>	<u>2008</u>	<u>Net Change</u>	<u>Percent Variances</u>
Administrative	60,485	58,941	1,544	3%
Utilities	15,491	15,046	445	3%
Maintenance	30,905	39,224	-8,319	-21%
General Expense	15,859	15,851	8	0%
Depreciation Expense	87,387	84,310	3,077	4%
Total Expenses	<u>\$210,127</u>	<u>\$213,372</u>	<u>-\$3,245</u>	<u>-2%</u>

**FREMONT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009**

BUDGETARY ANALYSIS

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public housing is adopted on the basis of accounting prescribed by the Housing and Urban Development, which differs in some respects from generally accepted accounting principles.

The Authority prepares a budget for each fiscal year of Capital Fund Grant Program that is approved. The Authority is permitted four years to expend these funds. Income is only recognized as funds are expended. For the purposes of this analysis, the amount budgeted is equal to the actual expense.

The Authority adopted an operating budget for FYE March 31, 2009. This budget reflected total operating revenues of \$147,020 and total operating expenses of \$132,420. Operating subsidy was projected to be \$59,100.

ANALYSIS OF CAPITAL ASSET ACTIVITY

	<u>2009</u>	<u>2008</u>	<u>Net Change</u>	<u>Percent Variances</u>
Land	42,206	42,206	0	0%
Buildings	2,106,401	2,053,281	53,120	3%
Furniture & Equipment-Dwellings	29,336	29,336	0	0%
Furniture & Equipment-Admin	16,684	16,684	0	0%
Total Fixed Assets	2,194,627	2,141,507	53,120	3%
Accumulated Depreciation	-1,304,510	-1,217,123	87,387	0%
Net Fixed Assets	890,117	924,384	(34,267)	-4%

The increase in Capital Assets relates to capital fund grant projects.

OUTSTANDING DEBT

The Housing authority had no debt outstanding at the end of 2009 or 2008.

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF MARCH 31, 2009**

ASSETS

CURRENT ASSETS

Cash	\$ 60,889
Security deposit cash	5,243
Accrued interest receivable	78
Investments	264,786
Deferred charges	<u>8,027</u>
 Total Current Assets	 <u>\$ 339,023</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 2,194,627
Less: Accumulated depreciation	<u>-1,304,510</u>
 Net Capital Assets	 <u>\$ 890,117</u>
 Total Assets	 <u>\$ 1,229,140</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 9,507
Accrued liabilities	<u>10,234</u>
 Total Current Liabilities	 <u>\$ 19,741</u>

NET ASSETS

Invested in capital assets	\$ 890,117
Unrestricted	<u>319,282</u>
 Total Net Assets	 <u>\$ 1,209,399</u>

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2009**

Operating Income

Tenant rental revenue	\$ 83,962
Total Rental Revenue	\$ 83,962
HUD grants - operating	59,524
Other revenue	<u>3,435</u>
Total Operating Income	<u>\$ 146,921</u>

Operating Expenses

Administration	\$ 60,485
Utilities	15,491
Ordinary maintenance and operation	30,905
General expense	15,859
Depreciation	<u>87,387</u>
Total Operating Expenses	<u>\$ 210,127</u>
Net Operating Income (Loss)	<u>\$ -63,206</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 48,779
Interest income	<u>4,286</u>
Total Nonoperating Income (Expense)	<u>\$ 53,065</u>
Changes in net assets	\$ -10,141
Net assets, beginning of year	<u>1,219,540</u>
Net assets, end of year	<u><u>\$ 1,209,399</u></u>

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2009**

Operating Activities

Operating grants	\$ 59,524
Tenant revenue	83,962
Other revenue	3,435
Payments to employees	-47,711
Payments to suppliers and contractors	<u>-75,693</u>

Net Cash Provided (Used) by Operating Activities \$ 23,517

Investing Activities

Investments (purchased) redeemed	\$ -3,973
Interest income	<u>4,556</u>

Net Cash Provided (Used) by Investing Activities \$ 583

Capital and Related Financing Activities

HUD grants - capital	\$ 48,779
(Additions) deletions of fixed assets	<u>-53,120</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -4,341

Net Change in Cash \$ 19,759

Cash Balance at March 31, 2008 41,130

Cash Balance at March 31, 2009 \$ 60,889

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2009**

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Net operating income (loss)	\$ -63,206
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	87,387
(Increase) decrease in deferred charges	-718
Increase (decrease) in accounts payable	-206
Increase (decrease) in accrued liabilities	684
Increase (decrease) in deferred revenues	<u>-424</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 23,517</u>

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009**

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).

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.

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although no formal policy has been adopted, the Authority distinguishes operating revenues and expenses from non-operating items when preparing financial statements. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) 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.

(e) 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 "highly liquid" refers to investments with a maturity of 1 month or less when purchased to be cash equivalents. This is the practice followed by the Housing Authority, although no formal policy has been adopted.

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at March 31, 2009, 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.

(g) Investments -

Investments are stated at cost which approximates market.

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(h) 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

(i) Income Tax -

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

(j) 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, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (k) The Housing Authority adopts a budget annually. The budget is approved by the Board of Commissions. Subsequent budget revisions must also be approved.
- (l) 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, 2009
(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>60,889</u>	\$ <u>75,189</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>270,029</u>	\$ <u>270,029</u>

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(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 - Investments

At March 31, 2009 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Savings - security deposits	.10-1.00%	\$ 5,243	\$ 5,243
Certificates of deposit	.65-2.10%	<u>264,786</u>	<u>264,786</u>
		<u>\$ 270,029</u>	<u>\$ 270,029</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 8,027</u>
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Note 7 - Fixed Assets

Balance as of March 31, 2009	\$ 890,117
Balance as of March 31, 2008	<u>924,384</u>
Net Increase (Decrease)	<u>\$ -34,267</u>

Reconciliation

Additions	\$ 53,120
Current year depreciation expense	<u>-87,387</u> *
Net Increase (Decrease)	<u>\$ -34,267</u>

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 7 - Fixed Assets (Continued)

<u>Analysis</u>	04/01/2008 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	03/31/2009 <u>Balance</u>
Land	\$ 42,206	\$ 0	\$ 0	\$ 42,206
Buildings	2,053,281	53,120	0	2,106,401
Equipment and furniture	46,020	0	0	46,020
Leasehold improvements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 2,141,507	\$ 53,120	\$ 0	\$ 2,194,627
Accumulated depreciation	<u>-1,217,123</u>	<u>-87,387</u> *	<u>0</u>	<u>-1,304,510</u>
Net Assets	<u>\$ 924,384</u>	<u>\$ -34,267</u>	<u>\$ 0</u>	<u>\$ 890,117</u>

*Current year depreciation expense recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 3,758
Payroll taxes payable	1,077
Tenants security deposits	<u>4,672</u>
Total	<u>\$ 9,507</u>

Note 9 - 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.

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 10 - Accrued Liabilities

Accrued liabilities consists of the following:

Accrued compensated absences	\$ 3,387
Payment in lieu of taxes	<u>6,847</u>
Total	<u>\$ 10,234</u>

Note 11 - 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 12 - Activities of the PHA

The Housing Authority had 40 units in management at March 31, 2009.

Note 13 - 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 14 - Economic Dependency

The Housing Authority received a significant portion of its revenue (54%) 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, 2009**

<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 03/31/09	\$ 59,100	\$ 59,100	\$ 59,100
Capital Funds Program	14.872	C-2084	FYE 03/31/09	\$ 242,728	\$ 49,203	\$ 49,203
Total Housing Assistance				<u>\$ 301,828</u>	<u>\$ 108,303</u>	<u>\$ 108,303</u>

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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, 2009, which collectively comprise the Fremont Housing Authority's basic financial statements and have issued my report thereon dated October 2, 2009. 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.

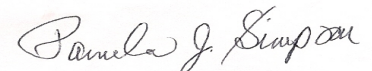
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any 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
October 2, 2009



Certified Public Accountant

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended March 31, 2008 contained no findings.

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE TWELVE MONTHS ENDED MARCH 31, 2009**

Section I - Summary of Auditor's Results

Financial Statements

Low Risk Auditee yes no

Type of auditor's report: Unqualified

* Material weakness(es) identified? yes no

* Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? yes no

* Significant deficiency (ies) identified that are not considered to be material weaknesses? yes 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 no

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

NONE

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Audit Findings

There were no financial statement audit findings discussed with Jerry Foster, Executive Director during the audit or at an exit conference held October 2, 2009.

Section III - Federal Awards Audit Findings

There were no federal award audit findings discussed with Jerry Foster, Executive Director during the audit or at an exit conference held October 2, 2009.

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

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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, 2009, 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.

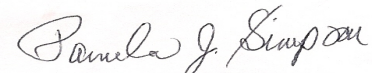
The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. 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. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999. During my review of current depositories, I noted that the housing authority did not have a current executed form from at least one financial institution holding agency funds. I recommend that the Authority execute new depository agreements with all new financial institutions and for any that have undergone ownership or name changes.

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.



Certified Public Accountant

Decatur, Illinois
October 2, 2009