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October 9, 2013

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

We have reviewed the audit report prepared by Pamela J. Simpson, Independent Public Accountant, for the period July 1, 2010 to June 30, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Fulton County Housing Authority, as of June 30, 2011 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

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

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**TWELVE MONTHS ENDED JUNE 30, 2011**

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

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## Independent Auditor's Report

Board of Commissioners  
Fulton County Housing Authority  
Rochester, Indiana

I have audited the accompanying financial statements of the Fulton County Housing Authority and the discreetly presented component unit, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Fulton County Housing Authority's management. My responsibility is to express opinions 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 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 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 Fulton County Housing Authority and its component unit, as of June 30, 2011 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.

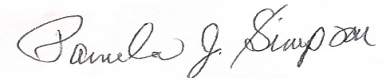
In accordance with *Government Auditing Standards*, I have also issued my report dated November 16, 2011 on my consideration of the Fulton County Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements with 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 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.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial systems. I do not express an opinion or provide any assurance on the information because the limited procedure do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Fulton County Housing Authority's basic financial statements. The 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 also not a required part of the basic financial statements of the Fulton County Housing Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents has been subjected to the auditing procedures and certain other additional procedures in accordance with auditing standards generally accepted in the United States of America . In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on it.

Decatur, Illinois  
November 16, 2011



Certified Public Accountant

**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2011**

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

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

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

**FINANCIAL HIGHLIGHTS**

- The Authority participated in the construction of the 56-unit Arbor Woods Apartments tax-credit project. Project construction was completed in late 2006, and lease-up began in mid-July 2007. This one-time project has enhanced the quantity, quality, and affordability of local rental units. As of the fiscal year end June 30, 2011, the Authority subsidized 23 of the 56 units in this project.
  - The Authority's net assets decreased by \$16,886 (or 5.0%) during 2011. Net Assets were \$336,246 and \$319,360 for 2010 and 2011 respectively. This decrease of 5.0% is attributable to an increase in the number of assisted households and subsequent depletion of cash; this cash depletion was offset by a change in accounting for fraud recovery receivables and allowance for doubtful accounts which was revised to reflect approximately 10% expected bad debt allowance instead of 100%.
  - The Authority's cash balance at June 30, 2011 was \$191,022 representing a decrease of \$37,423 (or 16.4%) from June 30, 2010. This decrease reflects a large increase in HAP spending, while the cash balance had increased in the prior year due to increased HUD funding and decreased HAP expenses.
  - The Authority's total revenue increased by \$46,017 (or 6.2%) during 2011, and was \$742,642 and \$788,659 for 2010 and 2011 respectively. This is due to a slight increase in HUD funding and an accounting change reflecting fraud recovery revenue as the receivable is booked, instead of when receivable is paid by clients.
  - The total expenses of the Authority's programs increased by \$91,788 (or 12.9%); this increase is almost entirely based on increased HAP costs as lease up figures increased. Total expenses were \$713,757 and \$805,545 for 2010 and 2011 respectively. Administrative expenses remained similar to last year's figures and only increased \$766 (or 0.8%) due to increases in many office expenses and staff wages. General expenses decreased \$1,286 (or 22.2%). HAP expenses increased \$90,337 (or 14.7%) due to aggressive increased leasing, and Depreciation decreased \$601 (or 17.3%).
  - The Authority had HUD PHA operating grants of \$758,137, unrestricted investment income of \$553, restricted interest income of \$1,724, other income of \$1,189, and fraud recovery income of \$27,056 for the year ended June 30, 2011.
  - The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$319,360 (net assets). This represents a decrease of \$16,886 from last year.
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**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2011**

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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, 2011.

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

**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2011**

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**FINANCIAL STATEMENT OVERVIEW**

***AUTHORITY-WIDE FINANCIAL STATEMENTS***

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

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

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

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

***FINANCIAL STATEMENTS***

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

***THE AUTHORITY'S PROGRAMS***

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

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

**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Year Ending June 30, 2011

**AUTHORITY-WIDE STATEMENTS**

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

|                                       | <u>2011</u>       | <u>2010</u>       | <u>Net Change</u>  |
|---------------------------------------|-------------------|-------------------|--------------------|
| Cash - Unrestricted                   | \$ 66,450         | \$ 95,669         | \$ (29,219)        |
| Cash - Restricted                     | 124,572           | 132,776           | (8,204)            |
| Accrued receivable - HUD              | 3,042             | 458               | 2,584              |
| Notes Rec - Security Deposit Loans    | 815               | -                 | 815                |
| Fraud Recovery - net of allowance     | 21,659            | -                 | 21,659             |
| Accrued Interest Receivable           | 412               | 815               | (403)              |
| Prepaid Expenses                      | 1,538             | 1,431             | 107                |
| <b>Current Assets</b>                 | <u>218,488</u>    | <u>231,149</u>    | <u>(12,661)</u>    |
| Office Equipment - net                | 4,019             | 6,884             | (2,865)            |
| Other noncurrent asset                | 99,977            | 100,001           | (24)               |
| <b>Noncurrent Assets</b>              | <u>103,996</u>    | <u>106,885</u>    | <u>(2,889)</u>     |
| <b>TOTAL ASSETS</b>                   | <u>322,484</u>    | <u>338,034</u>    | <u>15,550</u>      |
| Vendor Payable                        | 2,193             | 1,155             | 1,038              |
| Accrued Salaries Payable              | 931               | 633               | 298                |
| <b>Current Liabilities</b>            | <u>3,124</u>      | <u>1,788</u>      | <u>1,336</u>       |
| Invested in capital assets            | 4,019             | 6,884             | (2,865)            |
| Restricted net assets                 | 124,572           | 132,776           | (8,204)            |
| Unrestricted net assets               | 190,769           | 196,586           | (5,817)            |
| <b>Net Assets / Retained Earnings</b> | <u>\$ 319,360</u> | <u>\$ 336,246</u> | <u>\$ (16,886)</u> |

\*Current assets decreased by \$12,661, while current liabilities increased by \$1,336. The decrease in cash balance is attributed to higher leasing levels compared to the previous year which therefore increased Housing Assistance Payments to landlords, and a slight decrease in calendar year 2011 HUD funding.

\*Investments in Joint Ventures decreased by \$24 due to a net operating loss from the Arbor Woods Apartments tax credit project.

\*Office equipment decreased by \$2,865 due to depreciation.

\*The minor increase in accrued liabilities can be attributed to the fact employee wages and related withholding increased slightly and increased vendor payables at fiscal year end.

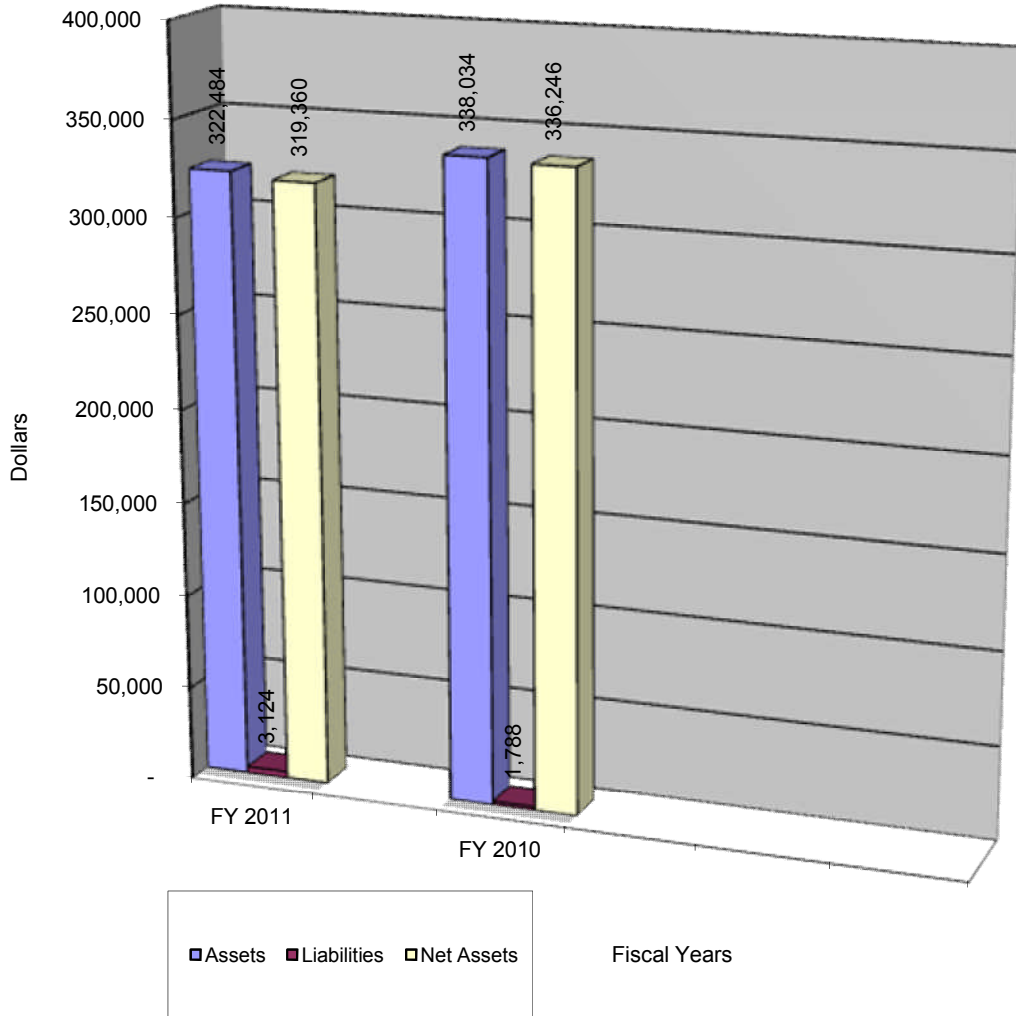
\*Restricted net assets decreased by \$8,204 related to higher spending for Housing Assistance Payments due to aggressively adding new families to the program; CY 2011 HUD funding decreased based on previous year HAP expenses.

\*Unrestricted net assets decreased by \$5,817 due to both decreased leasing for part of the fiscal year and continued decreases in administrative funding.

**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2011**

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**Section 8 Housing Choice Voucher Program**  
**Changes in Net Assets FY 2010 - FY 2011**



**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Year Ending June 30, 2011

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

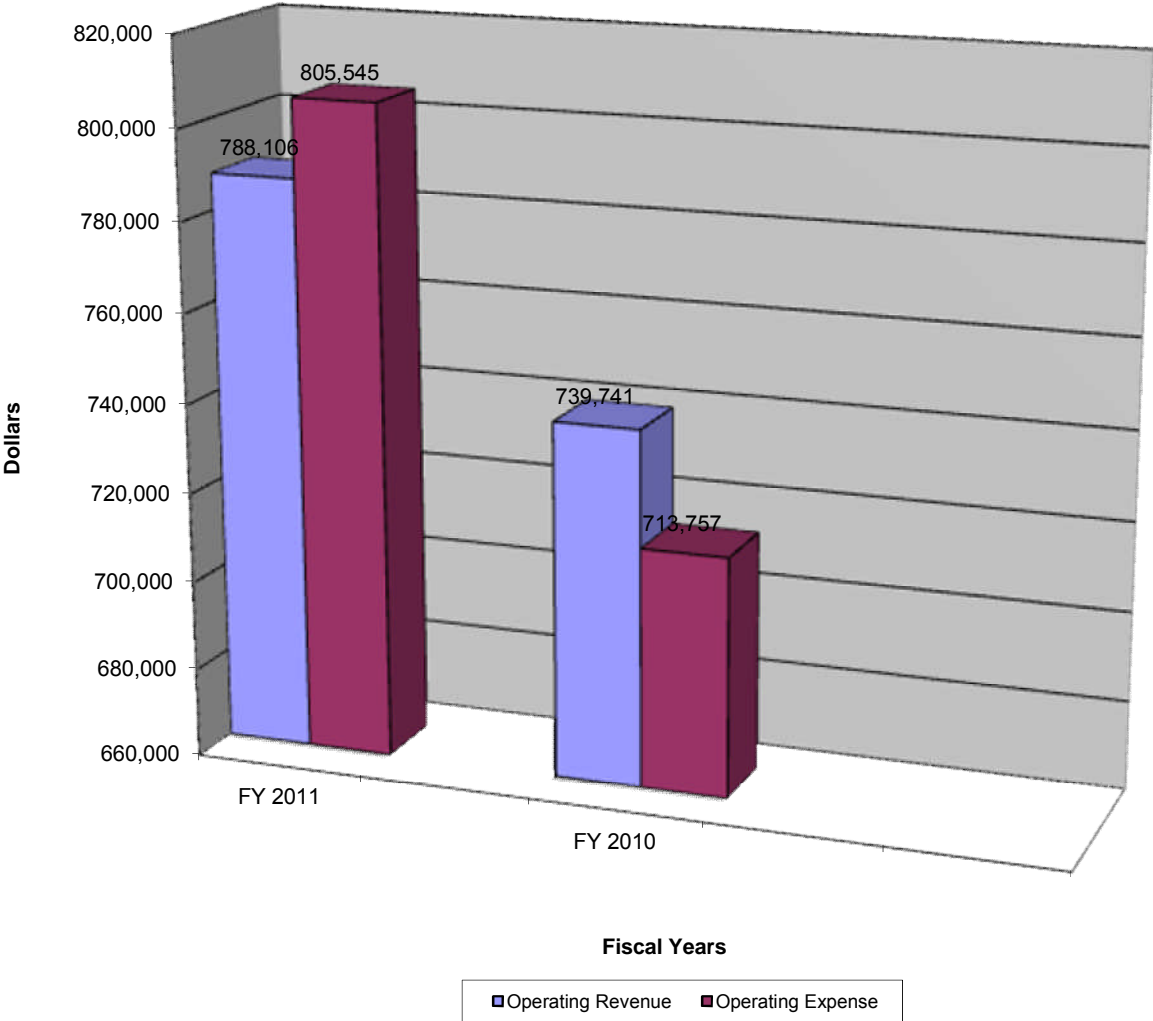
|  | <u>2011</u>       | <u>2010</u>       | <u>Net Change</u>  |
|--|-------------------|-------------------|--------------------|
| <b>OPERATING REVENUES</b>                    |                   |                   |                    |
| Government operating grants                  | \$ 758,137        | \$ 731,122        | \$ 23,973          |
| Interest Income - HUD funds                  | 1,724             | 2,088             | (364)              |
| Other Income                                 | 1,189             | 801               | 388                |
| Fraud Recovery                               | 27,056            | 5,730             | 21,326             |
| <b>Total operating revenues</b>              | <b>788,106</b>    | <b>739,741</b>    | <b>48,365</b>      |
| <b>OPERATING EXPENSES</b>                    |                   |                   |                    |
| Administrative                               | 92,638            | 91,872            | 766                |
| General                                      | 7,070             | 5,784             | 1,286              |
| Housing assistance payments                  | 702,973           | 612,636           | 90,337             |
| Depreciation                                 | 2,864             | 3,465             | (601)              |
| <b>Total operating expenses</b>              | <b>805,545</b>    | <b>713,757</b>    | <b>91,788</b>      |
| <b>Operating income (loss)</b>               | <b>(17,439)</b>   | <b>25,984</b>     | <b>(43,423)</b>    |
| <b>NONOPERATING REVENUES (EXPENSES)</b>      |                   |                   |                    |
| Interest and investment revenue              | 553               | 2,901             | (2,348)            |
| <b>Total nonoperating revenue (expenses)</b> | <b>553</b>        | <b>2,901</b>      | <b>(2,348)</b>     |
| Change in net assets                         | (16,886)          | 28,885            | (45,771)           |
| Total net assets - beginning                 | 336,246           | 307,361           | 28,885             |
| <b>Total net assets - ending</b>             | <b>\$ 319,360</b> | <b>\$ 336,246</b> | <b>\$ (16,886)</b> |

Operating revenues increased due to an increase in calendar year 2010 HUD funding compared to last year. Fraud recovery receivables were larger than normal this year, due to a change in the way this revenue is recognized (now recognized when receivable booked, instead of when client makes payment). Administrative and General expenses for the HCV program were similar to last year's figures. HAP expenses increased by \$90,337 due to increased lease-up.

**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2011**

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**Section 8 Housing Choice Voucher Program**  
**Changes in Revenue and Expenses FY 2010 - FY 2011**



**FULTON COUNTY HOUSING AUTHORITY, IN069**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ending June 30, 2011**

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**CHANGES IN CAPITAL ASSETS**

|   |                 |
|---|-----------------|
| 7.1.10 Beginning Balance Capital Assets, net  | \$ 6,884        |
| Plus: New equipment purchases in current year | 0               |
| Less: Current period depreciation             | <u>(2,865)</u>  |
| 6.30.11 Ending Balance Capital Assets, net    | <u>\$ 4,019</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

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF JUNE 30, 2011**

| <u>ASSETS</u>                              | Proprietary<br>Funds | Component<br>Unit |
|--|----------------------|-------------------|
| <b>CURRENT ASSETS</b>                      |                      |                   |
| Cash                                       | \$ 52,104            | \$ 14,346         |
| Accounts receivable (interfund eliminated) | 25,516               | 0                 |
| Accrued interest receivable                | 412                  | 0                 |
| Deferred charges                           | <u>1,538</u>         | <u>0</u>          |
| Total Current Assets                       | <u>\$ 79,570</u>     | <u>\$ 14,346</u>  |
| <b>RESTRICTED ASSETS</b>                   |                      |                   |
| Cash                                       | <u>\$ 124,572</u>    | <u>\$ 0</u>       |
| Total Restricted Assets                    | <u>\$ 124,572</u>    | <u>\$ 0</u>       |
| <b>CAPITAL ASSETS</b>                      |                      |                   |
| Land, buildings and equipment              | \$ 20,051            | \$ 0              |
| Less: Accumulated depreciation             | <u>-16,032</u>       | <u>0</u>          |
| Total Capital Assets                       | <u>\$ 4,019</u>      | <u>\$ 0</u>       |
| Invested in Joint Venture                  | <u>\$ 0</u>          | <u>\$ 99,977</u>  |
| Total Assets                               | <u>\$ 208,161</u>    | <u>\$ 114,323</u> |
| <br><u>LIABILITIES</u>                     |                      |                   |
| <b>CURRENT LIABILITIES</b>                 |                      |                   |
| Accounts payable (interfund eliminated)    | \$ 2,193             | \$ 0              |
| Accrued liabilities                        | <u>931</u>           | <u>0</u>          |
| Total Current Liabilities                  | <u>\$ 3,124</u>      | <u>\$ 0</u>       |
| <br><u>NET ASSETS</u>                      |                      |                   |
| Invested in capital assets                 | \$ 4,019             | \$ 0              |
| Restricted                                 | 124,572              | 0                 |
| Unrestricted                               | <u>76,446</u>        | <u>114,323</u>    |
| Total Net Assets                           | <u>\$ 205,037</u>    | <u>\$ 114,323</u> |

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2011**

| <u>Operating Income</u>                  | Proprietary<br>Funds | Component<br>Unit |
|--|----------------------|-------------------|
| HUD grants - operating                   | \$ 758,137           | \$ 0              |
| Fraud recovery                           | 27,056               | 0                 |
| Other revenue                            | <u>1,189</u>         | <u>0</u>          |
| Total Operating Income                   | \$ <u>786,382</u>    | \$ <u>0</u>       |
| <br><u>Operating Expenses</u>            |                      |                   |
| Administration                           | \$ 92,614            | \$ 24             |
| General expense                          | 7,070                | 0                 |
| Housing assistance payments              | 702,973              | 0                 |
| Depreciation                             | <u>2,864</u>         | <u>0</u>          |
| Total Operating Expenses                 | \$ <u>805,521</u>    | \$ <u>24</u>      |
| Net Operating Income (Loss)              | \$ -19,139           | \$ -24            |
| <br><u>Nonoperating Income (Expense)</u> |                      |                   |
| Interest income                          | <u>2,241</u>         | <u>36</u>         |
| Changes in net assets                    | \$ -16,898           | \$ 12             |
| Net assets, beginning of year            | <u>221,935</u>       | <u>114,311</u>    |
| Net assets, end of year                  | <u>\$ 205,037</u>    | <u>\$ 114,323</u> |

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2011**

| <u>Operating Activities</u>                      | Proprietary<br>Funds | Component<br><u>Unit</u> |
|--|----------------------|--------------------------|
| Operating grants                                 | \$ 755,553           | \$ 0                     |
| Other revenue                                    | 6,586                | 0                        |
| Housing assistance payments                      | -702,973             | 0                        |
| Payments to employees                            | -56,055              | 0                        |
| Payments to suppliers and contractors            | <u>-43,214</u>       | <u>-24</u>               |
| Net Cash Provided (Used) by Operating Activities | <u>\$ -40,103</u>    | <u>\$ -24</u>            |
| <br><u>Investing Activities</u>                  |                      |                          |
| Investments (purchased) redeemed                 | \$ 0                 | \$ 24                    |
| Interest income                                  | <u>2,644</u>         | <u>36</u>                |
| Net Cash Provided (Used) by Investing Activities | <u>\$ 2,644</u>      | <u>\$ 60</u>             |
| Net Change in Cash                               | \$ -37,459           | \$ 36                    |
| Cash Balance at June 30, 2010                    | <u>214,135</u>       | <u>14,310</u>            |
| Cash Balance at June 30, 2011                    | <u>\$ 176,676</u>    | <u>\$ 14,346</u>         |

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2011**

| <u>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities</u> | <u>Proprietary<br/>Funds</u> | <u>Component<br/>Unit</u> |
|--|------------------------------|---------------------------|
| Net operating income (loss)  | \$ -19,139                   | \$ -24                    |
| Adjustment to Reconcile Operating Income (Loss)<br>to Net Cash Flows from Operating Activities:          |                              |                           |
| Depreciation   | 2,864                        | 0                         |
| (Increase) decrease in accounts receivable   | -25,058                      | 0                         |
| (Increase) decrease in deferred charges  | -107                         | 0                         |
| Increase (decrease) in accounts payable  | 1,038                        | 0                         |
| Increase (decrease) in accrued liabilities   | <u>299</u>                   | <u>0</u>                  |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ -40,103</u>            | <u>\$ -24</u>             |

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2011**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Fulton County Housing Authority was established by the County 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 County of Fulton and concluded that the County does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the County, 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 County government. Debt incurred by the Authority is not an obligation of the County; the County 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.

The Authority is governed by a Board of Commissioners appointed by the County Board, and has governance responsibilities over all activities related to all housing activities within the County. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the County, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

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 Fulton County Housing Authority is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has one component unit.

(b) Invested in Joint Venture - Component Unit

The Housing Authority's component unit, Rochester Affordable Housing, Inc. entered into a limited partnership agreement for purpose of constructing and managing a 56 unit complex of 1, 2 and 3 bedroom apartments. The partnership has received tax credits from the State of Indiana. The Rochester Affordable Housing, Inc. holds a 1% general partnership interest, the remaining 99% is held by limited partners interests.

Partnership - Arbor Wood Apartments L.P.

\$ 99,977

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2011  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

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.

(d) Financial Statement Presentation

Although a formal policy has not been adopted, in financial statement preparation the Authority distinguishes operating revenues and expenses from non-operating items. 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, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(e) 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:

- \* Housing Choice Vouchers
- \* Component Unit/Joint Venture

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.

(f) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2011  
(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:

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.

Equipment is 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:

|                        |     |       |
|------------------------|-----|-------|
| Equipment              | 5-7 | years |
| Furniture and fixtures | 7   | years |

(h) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(i) Income Tax -

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

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2011  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(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.

- (k) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted for approval.
- (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 \$250,000 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.

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2011  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

*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.

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> |
|----------------|---------------------|---------------------|
| Voucher        | \$ 176,676          | \$ 177,309          |
| Component Unit | <u>14,346</u>       | <u>14,346</u>       |
| Total          | <u>\$ 191,022</u>   | <u>\$ 191,655</u>   |

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2011  
(CONTINUED)**

Note 3 - Compensated Absences

Sick Days

Employees are eligible to earn 1 sick day after each month of employment following the first year of employment; these days may be carried over each year, with a maximum of 30 days total. Sick leave is not paid out upon separation.

Vacation Days

Employees are eligible for paid vacations according to the following schedule:

|                                       |                  |
|---------------------------------------|------------------|
| After one year employment             | 10 days          |
| After ten year employment             | 15 days          |
| Each year thereafter                  | 1 additional day |
| Maximum paid vacation time is 25 days |                  |

Unused vacation days are lost if not used by the end of the fiscal year (June 30th).

Note 4 - Post-Employment Benefits

The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

|                           |                         |
|---------------------------|-------------------------|
| Accounts receivable - HUD | \$ 3,042                |
| Fraud recovery (net)      | 21,659                  |
| Security deposit loan     | <u>815</u>              |
| Total                     | <u><u>\$ 25,516</u></u> |

Note 6 - Deferred Charges

This classification includes the following:

|                   |                        |
|-------------------|------------------------|
| Prepaid insurance | <u><u>\$ 1,538</u></u> |
|-------------------|------------------------|

Note 7 - Fixed Assets

|                             |                         |
|-----------------------------|-------------------------|
| Balance as of June 30, 2011 | \$ 4,019                |
| Balance as of June 30, 2010 | <u>6,883</u>            |
| Net Increase (Decrease)     | <u><u>\$ -2,864</u></u> |

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2011  
(CONTINUED)**

Note 7 - Fixed Assets (Continued)

Current year depreciation expense \$ -2,864

| <u>Analysis</u>          | <u>07/01/2010<br/>Balance</u> | <u>Additions/<br/>Transfers</u> | <u>Deletions/<br/>Transfers</u> | <u>06/30/2011<br/>Balance</u> |
|--------------------------|-------------------------------|---------------------------------|---------------------------------|-------------------------------|
| Equipment and furniture  | \$ 20,051                     | \$ 0                            | \$ 0                            | \$ 20,051                     |
| Accumulated depreciation | <u>-13,168</u>                | <u>-2,864</u> *                 | <u>0</u>                        | <u>-16,032</u>                |
| Net Assets               | <u>\$ 6,883</u>               | <u>\$ -2,864</u>                | <u>\$ 0</u>                     | <u>\$ 4,019</u>               |

\* Current year depreciation expense.

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors \$ 2,193

Note 9 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued wages \$ 931

Note 10 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is calculated by HUD on an annual basis.

Note 11 - Allocation of Costs

The PHA allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program. Management considers this to be an equitable method of allocation.

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2011  
(CONTINUED)**

Note 12 - 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 or the risk pool coverage in the current or past three years.

Note 13 - Economic Dependency

The Housing Authority received most of its revenue (96 %) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

## **SUPPLEMENTAL DATA**

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2011**

| <u>Federal Grantor/Program</u>     | <u>Federal<br/>CFDA<br/>Number</u> | <u>Contract<br/>Number</u> | <u>Grant<br/>Period</u> | <u>Program<br/>Amount</u> | <u>Receipts or<br/>Revenue<br/>Recognized</u> | <u>Disbursements/<br/>Expenditures</u> |
|------------------------------------|------------------------------------|----------------------------|-------------------------|---------------------------|---|--|
| <u>U.S. Department of HUD</u>      |                                    |                            |                         |                           |   |  |
| Direct Programs:                   |                                    |                            |                         |                           |   |  |
| Housing Choice<br>Voucher Program* | 14.871                             | C-2014                     | FYE<br>06/30/11         | \$ 758,137                | \$ 758,137                                    | \$ 758,137                             |
| Total Housing Assistance           |                                    |                            |                         | <u>\$ 758,137</u>         | <u>\$ 758,137</u>                             | <u>\$ 758,137</u>                      |

\*Denotes major program



**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Commissioners  
Fulton County Housing Authority  
Rochester, Indiana

I have audited the financial statements of Fulton County Housing Authority as of and for the year ended June 30, 2011, and have issued my report thereon dated November 16, 2011. 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 Fulton County Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Fulton County Housing Authority's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of Fulton County Housing Authority in a separate letter dated November 16, 2011.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and Department of Housing and Urban Development and other Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant

Decatur, Illinois  
November 16, 2011



**Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Board of Commissioners  
Fulton County Housing Authority  
Rochester, Indiana

**Compliance**

I have audited Fulton County Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Fulton County Housing Authority's major federal programs for the year ended June 30, 2011. Fulton County Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Fulton County Housing Authority's management. My responsibility is to express an opinion on 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. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fulton County Housing Authority's compliance with those requirement and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Fulton County Housing Authority's compliance with those requirements.

In my opinion, Fulton County Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of my auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

## Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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



Certified Public Accountant

Decatur, Illinois  
November 16, 2011

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended June 30, 2010 contained no findings.

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*Financial Statements*

Type of auditor's report: Unqualified

\* Material weakness(es) identified? \_\_\_\_\_ yes X\_\_\_\_\_ no

\* Significant deficiency (ies) identified? \_\_\_\_\_ 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? \_\_\_\_\_ yes X\_\_\_\_\_ none reported

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

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

**Identification of major programs:**

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 14.871                | Housing Choice Voucher Program            |

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

Auditee qualified as low-risk auditee? X\_\_\_\_\_ yes \_\_\_\_\_ no

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
CURRENT FINDINGS AND RECOMMENDATIONS**

**Section II - Financial Statement Findings**

There were no financial statement audit findings discussed with Kim Benzing, Executive Director, during the course of the audit or at an exit conference held November 16, 2011.

**Section III - Federal Award Findings and Questioned Costs**

There were no federal awards audit findings and questioned costs discussed with Kim Benzing, Executive Director, during the course of the audit or at an exit conference held November 16, 2011.

**FULTON COUNTY HOUSING AUTHORITY  
ROCHESTER, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
JUNE 30, 2011**

| <u>Voucher</u>  | <u>Audit<br/>Account Number</u> | <u>Debit</u> | <u>Credit</u> | <u>Posting<br/>Account Number</u> |
|---|---------------------------------|--------------|---------------|-----------------------------------|
| (1)   |                                 |              |               |                                   |
| Accounts receivable - HUD   | 1125                            | \$ 3,042.00  |               | 1125                              |
| Prepaid ACC - admin fees  | 2210                            |              | \$ 3,042.00   | 2841.2                            |
| (To record additional admin fees for FY'11 per subsequent receipts)           |                                 |              |               |                                   |
| (2)   |                                 |              |               |                                   |
| Compensated absence expense   | 4110.1                          | \$ 1,543.34  |               | 2841.2                            |
| Admin salaries  | 4110                            |              | \$ 1,543.34   | 2841.2                            |
| (To correct rates of pay used in calculation of compensated absences expense) |                                 |              |               |                                   |
| (3)   |                                 |              |               |                                   |
| Accrued interest  | 1145                            | \$ 411.82    |               | 1145                              |
| Interest income   | 3300                            |              | \$ 411.82     | 2841.2                            |
| (To set up accrued interest for consistency)                                  |                                 |              |               |                                   |

Fulton County Housing Authority (IN069)

Rochester, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

|   | 14,871 Housing<br>Choice Vouchers | 6 Component Units | Subtotal  | Total     |
|---|-----------------------------------|-------------------|-----------|-----------|
| 111 Cash - Unrestricted   | \$52,104                          | \$14,346          | \$66,450  | \$66,450  |
| 112 Cash - Restricted - Modernization and Development             |                                   |                   |           |           |
| 113 Cash - Other Restricted                                       | \$124,572                         |                   | \$124,572 | \$124,572 |
| 114 Cash - Tenant Security Deposits                               |                                   |                   |           |           |
| 115 Cash - Restricted for Payment of Current Liabilities          |                                   |                   |           |           |
| 100 Total Cash  | \$176,676                         | \$14,346          | \$191,022 | \$191,022 |
| 121 Accounts Receivable - PHA Projects                            |                                   |                   |           |           |
| 122 Accounts Receivable - HUD Other Projects                      | \$3,042                           |                   | \$3,042   | \$3,042   |
| 124 Accounts Receivable - Other Government                        |                                   |                   |           |           |
| 125 Accounts Receivable - Miscellaneous                           |                                   |                   |           |           |
| 126 Accounts Receivable - Tenants                                 |                                   |                   |           |           |
| 126.1 Allowance for Doubtful Accounts - Tenants                   |                                   |                   |           |           |
| 126.2 Allowance for Doubtful Accounts - Other                     | \$0                               | \$0               | \$0       | \$0       |
| 127 Notes, Loans, & Mortgages Receivable - Current                | \$815                             |                   | \$815     | \$815     |
| 128 Fraud Recovery  | \$24,600                          |                   | \$24,600  | \$24,600  |
| 128.1 Allowance for Doubtful Accounts - Fraud                     | -\$2,941                          |                   | -\$2,941  | -\$2,941  |
| 129 Accrued Interest Receivable                                   | \$412                             |                   | \$412     | \$412     |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts    | \$25,928                          | \$0               | \$25,928  | \$25,928  |
| 131 Investments - Unrestricted                                    |                                   |                   |           |           |
| 132 Investments - Restricted                                      |                                   |                   |           |           |
| 135 Investments - Restricted for Payment of Current Liability     |                                   |                   |           |           |
| 142 Prepaid Expenses and Other Assets                             | \$1,538                           |                   | \$1,538   | \$1,538   |
| 143 Inventories   |                                   |                   |           |           |
| 143.1 Allowance for Obsolete Inventories                          |                                   |                   |           |           |
| 144 Inter Program Due From  |                                   |                   |           |           |
| 145 Assets Held for Sale  |                                   |                   |           |           |
| 150 Total Current Assets  | \$204,142                         | \$14,346          | \$218,488 | \$218,488 |
| 161 Land  |                                   |                   |           |           |
| 162 Buildings   |                                   |                   |           |           |
| 163 Furniture, Equipment & Machinery - Dwellings                  |                                   |                   |           |           |
| 164 Furniture, Equipment & Machinery - Administration             | \$20,051                          |                   | \$20,051  | \$20,051  |
| 165 Leasehold Improvements  |                                   |                   |           |           |
| 166 Accumulated Depreciation                                      | -\$16,032                         |                   | -\$16,032 | -\$16,032 |
| 167 Construction in Progress                                      |                                   |                   |           |           |
| 168 Infrastructure  |                                   |                   |           |           |
| 160 Total Capital Assets, Net of Accumulated Depreciation         | \$4,019                           | \$0               | \$4,019   | \$4,019   |
| 171 Notes, Loans and Mortgages Receivable - Non-Current           |                                   |                   |           |           |
| 172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due |                                   |                   |           |           |
| 173 Grants Receivable - Non Current                               |                                   |                   |           |           |
| 174 Other Assets  |                                   |                   |           |           |
| 176 Investments in Joint Ventures                                 |                                   | \$99,977          | \$99,977  | \$99,977  |
| 180 Total Non-Current Assets                                      | \$4,019                           | \$99,977          | \$103,996 | \$103,996 |
| 190 Total Assets  | \$208,161                         | \$114,323         | \$322,484 | \$322,484 |

Fulton County Housing Authority (IN069)

Rochester, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

|   | 14.871 Housing<br>Choice Vouchers | 6 Component Units | Subtotal  | Total     |
|---|-----------------------------------|-------------------|-----------|-----------|
| 311 Bank Overdraft  |                                   |                   |           |           |
| 312 Accounts Payable <= 90 Days   | \$2,193                           |                   | \$2,193   | \$2,193   |
| 313 Accounts Payable >90 Days Past Due  |                                   |                   |           |           |
| 321 Accrued Wage/Payroll Taxes Payable  | \$931                             |                   | \$931     | \$931     |
| 322 Accrued Compensated Absences - Current Portion                              |                                   |                   |           |           |
| 324 Accrued Contingency Liability   |                                   |                   |           |           |
| 325 Accrued Interest Payable  |                                   |                   |           |           |
| 331 Accounts Payable - HUD PHA Programs   |                                   |                   |           |           |
| 332 Account Payable - PHA Projects  |                                   |                   |           |           |
| 333 Accounts Payable - Other Government   |                                   |                   |           |           |
| 341 Tenant Security Deposits  |                                   |                   |           |           |
| 342 Deferred Revenues   |                                   |                   |           |           |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds |                                   |                   |           |           |
| 344 Current Portion of Long-term Debt - Operating Borrowings                    |                                   |                   |           |           |
| 345 Other Current Liabilities   |                                   |                   |           |           |
| 346 Accrued Liabilities - Other   |                                   |                   |           |           |
| 347 Inter Program - Due To  |                                   |                   |           |           |
| 348 Loan Liability - Current  |                                   |                   |           |           |
| 310 Total Current Liabilities   | \$3,124                           | \$0               | \$3,124   | \$3,124   |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue          |                                   |                   |           |           |
| 352 Long-term Debt, Net of Current - Operating Borrowings                       |                                   |                   |           |           |
| 353 Non-current Liabilities - Other   |                                   |                   |           |           |
| 354 Accrued Compensated Absences - Non Current                                  |                                   |                   |           |           |
| 355 Loan Liability - Non Current  |                                   |                   |           |           |
| 356 FASB 5 Liabilities  |                                   |                   |           |           |
| 357 Accrued Pension and OPEB Liabilities  |                                   |                   |           |           |
| 350 Total Non-Current Liabilities   | \$0                               | \$0               | \$0       | \$0       |
| 300 Total Liabilities   | \$3,124                           | \$0               | \$3,124   | \$3,124   |
| 508.1 Invested In Capital Assets, Net of Related Debt                           | \$4,019                           |                   | \$4,019   | \$4,019   |
| 509.2 Fund Balance Reserved   |                                   |                   |           |           |
| 511.2 Unreserved, Designated Fund Balance                                       |                                   |                   |           |           |
| 511.1 Restricted Net Assets   | \$124,572                         |                   | \$124,572 | \$124,572 |
| 512.1 Unrestricted Net Assets   | \$76,446                          | \$114,323         | \$190,769 | \$190,769 |
| 512.2 Unreserved, Undesignated Fund Balance                                     |                                   |                   |           |           |
| 513 Total Equity/Net Assets   | \$205,037                         | \$114,323         | \$319,360 | \$319,360 |
| 600 Total Liabilities and Equity/Net Assets                                     | \$208,161                         | \$114,323         | \$322,484 | \$322,484 |

Fulton County Housing Authority (IN069)

Rochester, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

|   | 14,871 Housing<br>Choice Vouchers | 6 Component Units | Subtotal  | Total     |
|---|-----------------------------------|-------------------|-----------|-----------|
| 70300 Net Tenant Rental Revenue                         |                                   |                   |           |           |
| 70400 Tenant Revenue - Other                            |                                   |                   |           |           |
| 70500 Total Tenant Revenue                              | \$0                               | \$0               | \$0       | \$0       |
| 70600 HUD PHA Operating Grants                          | \$758,137                         |                   | \$758,137 | \$758,137 |
| 70610 Capital Grants                                    |                                   |                   |           |           |
| 70710 Management Fee                                    |                                   |                   |           |           |
| 70720 Asset Management Fee                              |                                   |                   |           |           |
| 70730 Book Keeping Fee                                  |                                   |                   |           |           |
| 70740 Front Line Service Fee                            |                                   |                   |           |           |
| 70750 Other Fees  |                                   |                   |           |           |
| 70700 Total Fee Revenue                                 |                                   |                   |           |           |
| 70800 Other Government Grants                           |                                   |                   |           |           |
| 71100 Investment Income - Unrestricted                  | \$517                             | \$36              | \$553     | \$553     |
| 71200 Mortgage Interest Income                          |                                   |                   |           |           |
| 71300 Proceeds from Disposition of Assets Held for Sale |                                   |                   |           |           |
| 71310 Cost of Sale of Assets                            |                                   |                   |           |           |
| 71400 Fraud Recovery                                    | \$27,056                          |                   | \$27,056  | \$27,056  |
| 71500 Other Revenue                                     | \$1,189                           |                   | \$1,189   | \$1,189   |
| 71600 Gain or Loss on Sale of Capital Assets            |                                   |                   |           |           |
| 72000 Investment Income - Restricted                    | \$1,724                           |                   | \$1,724   | \$1,724   |
| 70000 Total Revenue                                     | \$788,623                         | \$36              | \$788,659 | \$788,659 |
| 91100 Administrative Salaries                           | \$52,032                          |                   | \$52,032  | \$52,032  |
| 91200 Auditing Fees                                     | \$2,935                           |                   | \$2,935   | \$2,935   |
| 91300 Management Fee                                    |                                   |                   |           |           |
| 91310 Book-keeping Fee                                  |                                   |                   |           |           |
| 91400 Advertising and Marketing                         |                                   |                   |           |           |
| 91500 Employee Benefit contributions - Administrative   | \$4,448                           |                   | \$4,448   | \$4,448   |
| 91600 Office Expenses                                   | \$33,199                          | \$24              | \$33,223  | \$33,223  |
| 91700 Legal Expense                                     |                                   |                   |           |           |
| 91800 Travel  |                                   |                   |           |           |
| 91810 Allocated Overhead                                |                                   |                   |           |           |
| 91900 Other   |                                   |                   |           |           |
| 91000 Total Operating - Administrative                  | \$92,614                          | \$24              | \$92,638  | \$92,638  |
| 92000 Asset Management Fee                              |                                   |                   |           |           |
| 92100 Tenant Services - Salaries                        |                                   |                   |           |           |
| 92200 Relocation Costs                                  |                                   |                   |           |           |
| 92300 Employee Benefit Contributions - Tenant Services  |                                   |                   |           |           |
| 92400 Tenant Services - Other                           |                                   |                   |           |           |
| 92500 Total Tenant Services                             | \$0                               | \$0               | \$0       | \$0       |

Fulton County Housing Authority (IN069)

Rochester, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

|   | 14,871 Housing<br>Choice Vouchers | 6 Component Units | Subtotal  | Total     |
|---|-----------------------------------|-------------------|-----------|-----------|
| 93100 Water   |                                   |                   |           |           |
| 93200 Electricity   |                                   |                   |           |           |
| 93300 Gas   |                                   |                   |           |           |
| 93400 Fuel  |                                   |                   |           |           |
| 93500 Labor   |                                   |                   |           |           |
| 93600 Sewer   |                                   |                   |           |           |
| 93700 Employee Benefit Contributions - Utilities                |                                   |                   |           |           |
| 93800 Other Utilities Expense                                   |                                   |                   |           |           |
| 93000 Total Utilities   | \$0                               | \$0               | \$0       | \$0       |
| 94100 Ordinary Maintenance and Operations - Labor               |                                   |                   |           |           |
| 94200 Ordinary Maintenance and Operations - Materials and Other |                                   |                   |           |           |
| 94300 Ordinary Maintenance and Operations Contracts             |                                   |                   |           |           |
| 94500 Employee Benefit Contributions - Ordinary Maintenance     |                                   |                   |           |           |
| 94000 Total Maintenance   | \$0                               | \$0               | \$0       | \$0       |
| 95100 Protective Services - Labor                               |                                   |                   |           |           |
| 95200 Protective Services - Other Contract Costs                |                                   |                   |           |           |
| 95300 Protective Services - Other                               |                                   |                   |           |           |
| 95500 Employee Benefit Contributions - Protective Services      |                                   |                   |           |           |
| 95000 Total Protective Services                                 | \$0                               | \$0               | \$0       | \$0       |
| 96110 Property Insurance  |                                   |                   |           |           |
| 96120 Liability Insurance                                       | \$1,908                           |                   | \$1,908   | \$1,908   |
| 96130 Workmen's Compensation                                    | \$841                             |                   | \$841     | \$841     |
| 96140 All Other Insurance                                       |                                   |                   |           |           |
| 96100 Total insurance Premiums                                  | \$2,749                           | \$0               | \$2,749   | \$2,749   |
| 96200 Other General Expenses                                    |                                   |                   |           |           |
| 96210 Compensated Absences                                      | \$4,321                           |                   | \$4,321   | \$4,321   |
| 96300 Payments in Lieu of Taxes                                 |                                   |                   |           |           |
| 96400 Bad debt - Tenant Rents                                   |                                   |                   |           |           |
| 96500 Bad debt - Mortgages                                      |                                   |                   |           |           |
| 96600 Bad debt - Other  |                                   |                   |           |           |
| 96800 Severance Expense   |                                   |                   |           |           |
| 96000 Total Other General Expenses                              | \$4,321                           | \$0               | \$4,321   | \$4,321   |
| 96710 Interest of Mortgage (or Bonds) Payable                   |                                   |                   |           |           |
| 96720 Interest on Notes Payable (Short and Long Term)           |                                   |                   |           |           |
| 96730 Amortization of Bond Issue Costs                          |                                   |                   |           |           |
| 96700 Total Interest Expense and Amortization Cost              | \$0                               | \$0               | \$0       | \$0       |
| 96900 Total Operating Expenses                                  | \$99,684                          | \$24              | \$99,708  | \$99,708  |
| 97000 Excess of Operating Revenue over Operating Expenses       | \$688,939                         | \$12              | \$688,951 | \$688,951 |

Fulton County Housing Authority (IN069)

Rochester, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

|   | 14.871 Housing<br>Choice Vouchers | 6 Component Units | Subtotal  | Total     |
|---|-----------------------------------|-------------------|-----------|-----------|
| 97100 Extraordinary Maintenance   |                                   |                   |           |           |
| 97200 Casualty Losses - Non-capitalized                                   |                                   |                   |           |           |
| 97300 Housing Assistance Payments   | \$702,973                         |                   | \$702,973 | \$702,973 |
| 97350 HAP Portability-In  |                                   |                   |           |           |
| 97400 Depreciation Expense  | \$2,864                           |                   | \$2,864   | \$2,864   |
| 97500 Fraud Losses  |                                   |                   |           |           |
| 97600 Capital Outlays - Governmental Funds                                |                                   |                   |           |           |
| 97700 Debt Principal Payment - Governmental Funds                         |                                   |                   |           |           |
| 97800 Dwelling Units Rent Expense   |                                   |                   |           |           |
| 90000 Total Expenses  | \$805,521                         | \$24              | \$805,545 | \$805,545 |
| 10010 Operating Transfer In   |                                   |                   |           |           |
| 10020 Operating transfer Out  |                                   |                   |           |           |
| 10030 Operating Transfers from/to Primary Government                      |                                   |                   |           |           |
| 10040 Operating Transfers from/to Component Unit                          |                                   |                   |           |           |
| 10050 Proceeds from Notes, Loans and Bonds                                |                                   |                   |           |           |
| 10060 Proceeds from Property Sales  |                                   |                   |           |           |
| 10070 Extraordinary Items, Net Gain/Loss                                  |                                   |                   |           |           |
| 10080 Special Items (Net Gain/Loss)                                       |                                   |                   |           |           |
| 10091 Inter Project Excess Cash Transfer In                               |                                   |                   |           |           |
| 10092 Inter Project Excess Cash Transfer Out                              |                                   |                   |           |           |
| 10093 Transfers between Program and Project - In                          |                                   |                   |           |           |
| 10094 Transfers between Project and Program - Out                         |                                   |                   |           |           |
| 10100 Total Other financing Sources (Uses)                                | \$0                               | \$0               | \$0       | \$0       |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses    | -\$16,898                         | \$12              | -\$16,886 | -\$16,886 |
| 11020 Required Annual Debt Principal Payments                             | \$0                               | \$0               | \$0       | \$0       |
| 11030 Beginning Equity  | \$221,935                         | \$114,311         | \$336,246 | \$336,246 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | \$0                               |                   | \$0       | \$0       |
| 11050 Changes in Compensated Absence Balance                              |                                   |                   |           |           |
| 11060 Changes in Contingent Liability Balance                             |                                   |                   |           |           |
| 11070 Changes in Unrecognized Pension Transition Liability                |                                   |                   |           |           |
| 11080 Changes in Special Term/Severance Benefits Liability                |                                   |                   |           |           |
| 11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents         |                                   |                   |           |           |
| 11100 Changes in Allowance for Doubtful Accounts - Other                  |                                   |                   |           |           |
| 11170 Administrative Fee Equity   | \$80,465                          |                   | \$80,465  | \$80,465  |
| 11180 Housing Assistance Payments Equity                                  | \$124,572                         |                   | \$124,572 | \$124,572 |
| 11190 Unit Months Available   | 2100                              |                   | 2100      | 2100      |
| 11210 Number of Unit Months Leased  | 1999                              |                   | 1999      | 1999      |
| 11270 Excess Cash   |                                   |                   |           |           |
| 11610 Land Purchases  |                                   |                   |           |           |
| 11620 Building Purchases  |                                   |                   |           |           |
| 11630 Furniture & Equipment - Dwelling Purchases                          |                                   |                   |           |           |
| 11640 Furniture & Equipment - Administrative Purchases                    |                                   |                   |           |           |
| 11650 Leasehold Improvements Purchases                                    |                                   |                   |           |           |
| 11660 Infrastructure Purchases  |                                   |                   |           |           |
| 13510 CFFP Debt Service Payments  |                                   |                   |           |           |
| 13901 Replacement Housing Factor Funds                                    |                                   |                   |           |           |



Board of Commissioners  
Fulton County Housing Authority  
Rochester, Indiana

In planning and performing my audit of the financial statements of Fulton County Housing Authority as of and for the year ended June 30, 2011, 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 Fulton County Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Fulton County Housing Authority's internal control.

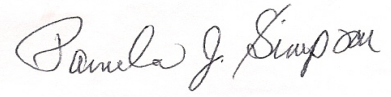
The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. 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. During my examination of Housing Choice Voucher participant files, I noted that anticipated wages were calculated by averaging the wage rate reported on check stubs. However, I also noted that the Housing Authority was not confirming a change (increase or decrease) in the number of hours worked when a rate change was noted. The Housing Authority should also factor in changes in hours when changes in rates occur.
2. While reviewing insurance coverages, I noted that the PHA purchased a fidelity bond. This bond covered an extended period, however 100% of the premium was expensed. In the future all insurance premiums should be amortized over the life of the policy.

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.

A handwritten signature in black ink that reads "Pamela J. Simpson". The signature is written in a cursive style with a large initial "P" and "S".

Certified Public Accountant

Decatur, Illinois  
November 16, 2011