



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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November 14, 2012

Board of Directors
Angola Housing Authority
617 N. Williams Street
Angola, IN 46703

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Angola Housing Authority, as of December 31, 2007 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

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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

TWELVE MONTHS ENDED DECEMBER 31, 2007

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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PAMELA J. SIMPSON, C.P.A.

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Independent Auditor=s Report

Board of Directors
Angola Housing Authority
Angola, Indiana

I have audited the accompanying financial statements of Angola Housing Authority, as of and for the year ended December 31, 2007, 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 Angola Housing Authority, as of December 31, 2007 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 28, 2008, on my consideration of the Angola 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 10, 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 Angola 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 Angola 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 Angola Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.

Decatur, Illinois
May 28, 2008

Pamela J. Simpson
Certified Public Accountant

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2007**

ASSETS

CURRENT ASSETS

Cash	\$ 284,400
Accounts receivable (interfund eliminated)	27,288
Investments	294,762
Inventory	27,711
Deferred charges	<u>2,006</u>

Total Current Assets \$ 636,167

CAPITAL ASSETS

Land, buildings and equipment	\$ 9,309,415
Less: Accumulated depreciation	<u>-4,623,685</u>

Net Capital Assets \$ 4,685,730

Total Assets \$ 5,321,897

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 41,199
Notes payable	34,796
Accrued liabilities	55,246
Deferred revenue	<u>3,011</u>

Total Current Liabilities \$ 134,252

NONCURRENT LIABILITIES

Notes payable	<u>\$ 260,841</u>
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Total Noncurrent Liabilities \$ 260,841

NET ASSETS

Invested in capital assets	\$ 4,390,093
Unrestricted	<u>536,711</u>

Total Net Assets \$ 4,926,804

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Operating Income

Tenant rental revenue	\$ 309,063
Tenant revenue - other	<u>6,431</u>
 Total Tenant Revenue	 \$ 315,494
 HUD grants - operating	 395,488
Other revenue	7,517
Gain/loss of sale of fixed assets	<u>1,480</u>
 Total Operating Income	 \$ <u>719,979</u>

Operating Expenses

Administration	\$ 204,706
Tenant services	24,558
Utilities	88,115
Ordinary maintenance and operation	230,259
General expense	61,749
Extraordinary maintenance	6,232
Depreciation	<u>349,020</u>
 Total Operating Expenses	 \$ <u>964,639</u>
 Net Operating Income (Loss)	 \$ <u>-244,660</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 68,005
Interest expense	-15,635
Interest income	<u>15,260</u>
 Total Nonoperating Income (Expense)	 \$ <u>67,630</u>
 Changes in net assets	 \$ -177,030
Net assets, beginning of year	<u>5,103,834</u>
 Net assets, end of year	 \$ <u>4,926,804</u>

The notes to financial statements are an integral part of this statement.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Operating Activities

Operating grants	\$ 431,162
Tenant revenue	314,635
Other revenue	8,997
Payments to employees	-206,672
Payments to suppliers and contractors	<u>-471,645</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 76,477</u>

Investing Activities

Investments (purchased) redeemed	\$ -4,762
Interest income	<u>15,260</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 10,498</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 68,005
(Additions) deletions to fixed assets	-79,361
Interest expense	-15,635
Retirement of debt	<u>-33,129</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -60,120</u>

Net Change in Cash	\$ 26,855
Cash Balance at December 31, 2006	<u>257,545</u>
Cash Balance at December 31, 2007	<u>\$ 284,400</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

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

Net operating income (loss)	\$ -244,660
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	349,020
(Increase) decrease in accounts receivable	34,806
(Increase) decrease in deferred charges	-1,507
(Increase) decrease in other assets	-7,830
Increase (decrease) in accounts payable	-55,853
Increase (decrease) in accrued liabilities	-493
Increase (decrease) in deferred revenues	<u>2,994</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 76,477</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Angola Housing Authority was established by City 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 Angola 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 Angola 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 -

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.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Funds -

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

- * Low Rent Public Housing
- * Capital Fund Program

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

(d) Cash and Cash Equivalents -

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

(e) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2007, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(f) Inventories and Materials -

Inventories and materials are stated at cost which approximates market determined on a first-in, first-out basis.

(g) Investments -

Investments are stated at cost which approximates market.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(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	10	years
Transportation equipment	5	years
Furniture and fixtures	10	years
Leasehold improvements	15	years

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(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.

(k) The Housing Authority adopts a budget annually. The budget is approved by the Board of Commissioners annually. Subsequent budget revisions may also be required to 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.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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.

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.

Program

Book Balance

Bank Balance

Low Rent	\$ <u>288,400</u>	\$ <u>303,079</u>
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**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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>294,762</u>	\$ <u>294,762</u>

Note 3 - Compensated Absences

Vacation

All full time employees earn paid vacation leave after 6 months of employment. An employee may not begin to use vacation leave until they have been employed for six (6) months of continuous service. After completing six (6) months of full-time service, all vacation leave will be credited to the employee, who will be eligible to take such leave.

Full time employees will earn vacation days at the following rate per year:

- | | |
|--|---------|
| - 1-5 years of continuous service | 12 days |
| - 6-10 years of continuous service | 15 days |
| - 11-15 years of continuous service | 20 days |
| - 16-20 years of continuous service | 25 days |
| - 21 or more years of continuous service | 30 days |

The additional vacation days shown after five (5) years of continuous service shall begin on the first day of January, following the anniversary date of the employee=s hiring or beginning date of full-

time status. An employee=s first vacation may be taken after the employee completes six (6) months of full-time service. All subsequent vacations shall be taken prior to the end of the calendar year.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 3 - Compensated Absences (Continued)

Vacation (Continued)

Vacation time not taken prior to the end of the calendar year will not be permitted to be carried forward to the next year or to received payment for such unused leave. Upon termination from employment, employees will be paid for any unused vacation time.

Vacation pay will be made at the employee=s current rate of pay.

Sick/Personal Leave

Sick leave with pay is intended to provide employees with protection against loss of salary during periods when they are required to be absent from work due to medical needs, illness or injury of themselves or family members. Full time employees shall be allowed nine (9) sick days and three (3) personal days per calendar year. Sick leave and personal leave time not taken prior to the end of the calendar year will not be permitted to be carried forward to the next year. In no event shall an employee be paid for leave not taken.

Note 4 - Defined Contribution Plan

The Authority contributes to the Indiana Public Employee=s Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member=s annuity savings account. The annuity savings account consists of member=s contributions, set by state statute at three percent of compensation, plus the interest credited to the member=s account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issued a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The Housing Authority contributed \$23,516 in the fiscal year ending December 31, 2007.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable (net)	\$ 3,177
Accounts receivable - payroll withholding	9
Accounts receivable - HUD	<u>24,102</u>
Subtotal	\$ 27,288
Interfund	<u>22,477</u>
Total	<u>\$ 49,765</u>

Note 6 - Investments

At December 31, 2007 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificate of Deposit	Variable	\$ <u>294,762</u>	\$ <u>294,762</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 2,006</u>
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Note 8 - Fixed Assets

Balance as of December 31, 2007	\$ 4,685,730
Balance as of December 31, 2006	<u>4,955,389</u>
Net Increase (Decrease)	<u>\$ -269,659</u>

Reconciliation

Property betterments and additions	\$ 80,480
Dispositions	-1,119
Current year depreciation expense	<u>-349,020</u>
Net Increase (Decrease)	<u>\$ -269,659</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 8 - Fixed Assets (Continued)

<u>Analysis</u>	<u>01/01/2007 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2007 Balance</u>
Land	\$ 826,661	\$ 0	\$ 0	\$ 826,661
Buildings	4,283,465	0	0	4,283,465
Equipment and furniture	220,908	32,498	10,783	242,623
Leasehold improvements	3,787,710	0	0	3,767,687
Construction in progress	<u>120,973</u>	<u>68,006</u>	<u>20,023</u>	<u>188,979</u>
Total	\$ 9,239,717	\$ 100,504	\$ 30,806	\$ 9,309,415
Accumulated depreciation	<u>-4,284,328</u>	<u>-349,020</u>	<u>-9,663</u>	<u>-4,623,685</u>
Total	<u>\$ 4,955,389</u>	<u>\$ -248,516</u>	<u>\$ 21,143</u>	<u>\$ 4,685,730</u>

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 18,294
Tenants security deposits	<u>22,905</u>
Subtotal	\$ 41,199
Interfund	<u>22,477</u>
Total	<u>\$ 63,676</u>

Note 10 - Notes Payable- HUD

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.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued compensated absences	\$ 9,207
Payment in lieu of taxes	<u>46,039</u>
Total	<u>\$ 55,246</u>

Note 12 - Deferred Revenue

This classification consists of the following accounts:

Other	<u>\$ 3,011</u>
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Note 13 - Long Term Debt - Other

The detail of the Housing Authority's long term debt at year end is set forth below:

<u>Lender</u>	<u>Rate</u>	<u>Due Date</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Fifth Third Bank	5.0%	04/01/15	<u>\$ 34,796</u>	<u>\$ 260,841</u>	<u>\$ 295,637</u>

Debt service requirements for the long term debt for the next five years are as follows:

<u>Due Fiscal Year Ending</u>	<u>Principal</u>
2007	\$ 34,796
2008	36,548
2009	38,387
2010	40,319
2011	42,348
Thereafter	103,239

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 14 - 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 15 - Risk Management

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

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

Note 16 - Economic Dependency

The Housing Authority received most of its revenue (58%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007**

<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	IN039	FYE 12/31/07	\$ <u>380,488</u>	\$ <u>380,488</u>	\$ <u>380,488</u>
Public Housing - Capital Fund	14.872	IN039	FYE 12/31/07	\$ <u>476,011</u>	\$ <u>83,005</u>	\$ <u>83,005</u>
Total Housing Assistance				\$ <u>856,499</u>	\$ <u>463,493</u>	\$ <u>463,493</u>

*Denotes major program.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2007**

<u>ASSETS</u>	<u>Low Rent</u>	<u>Capital Funds</u>
CURRENT ASSETS		
Cash	\$ 284,400	\$ 0
Accounts receivable	25,663	24,102
Investments	294,762	0
Inventory	27,711	0
Deferred charges	<u>2,006</u>	<u>0</u>
Total Current Assets	<u>\$ 634,542</u>	<u>\$ 24,102</u>
CAPITAL ASSETS		
Land, buildings and equipment	\$ 9,120,436	\$ 188,979
Less: Accumulated depreciation	<u>-4,623,685</u>	<u>0</u>
Net Capital Assets	<u>\$ 4,496,751</u>	<u>\$ 188,979</u>
Total Assets	<u>\$ 5,131,293</u>	<u>\$ 213,081</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 39,574	\$ 24,102
Notes payable	34,796	0
Accrued liabilities	55,246	0
Deferred revenues	<u>3,011</u>	<u>0</u>
Total Current Liabilities	<u>\$ 132,627</u>	<u>\$ 24,102</u>
LONG TERM LIABILITIES		
Notes payable	<u>\$ 260,841</u>	<u>\$ 0</u>
Total Long Term Liabilities	<u>\$ 260,841</u>	<u>\$ 0</u>
<u>NET ASSETS</u>		
Invested in capital assets	\$ 4,201,114	\$ 188,979
Unrestricted	<u>536,711</u>	<u>0</u>
Total Net Assets	<u>\$ 4,737,825</u>	<u>\$ 188,979</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Operating Income</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Tenant rental revenue	\$ 309,063	\$ 0
Tenant revenue - other	<u>6,431</u>	<u>0</u>
Total Rental Revenue	\$ 315,494	\$ 0
HUD grants - operating	380,488	15,000
Other revenue	7,517	0
Gain/loss on sale of fixed assets	<u>1,480</u>	<u>0</u>
Total Operating Income	<u>\$ 704,979</u>	<u>\$ 15,000</u>
 <u>Operating Expenses</u>		
Administration	\$ 204,706	\$ 0
Tenant services	24,558	0
Utilities	88,115	0
Ordinary maintenance and operation	230,259	0
General expense	61,749	0
Extraordinary maintenance	6,232	0
Depreciation	<u>349,020</u>	<u>0</u>
Total Operating Expenses	<u>\$ 964,639</u>	<u>\$ 0</u>
Net Operating Income (Loss)	<u>\$ -259,660</u>	<u>\$ 15,000</u>
 <u>Nonoperating Income (Expense)</u>		
HUD grants - capital	\$ 0	\$ 68,005
Interest expense	-15,635	0
Interest income	15,260	0
Transfer in/out	<u>15,000</u>	<u>-15,000</u>
Total Nonoperating Income (Expense)	<u>\$ 14,625</u>	<u>\$ 53,005</u>
Changes in Net Assets	<u>\$ -245,035</u>	<u>\$ 68,005</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**CHANGES IN NET ASSETS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Invested in Capital Assets</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Balance at December 31, 2006	\$ 3,995,023	\$ 631,600
Transfer in/out	510,626	-510,626
Current year net income (loss)	<u>-304,535</u>	<u>68,005</u>
Balance at December 31, 2007	<u>\$ 4,201,114</u>	<u>\$ 188,979</u>
 <u>Unrestricted Net Assets</u>		
Balance at December 31, 2006	\$ 477,211	\$ 0
Current year net income (loss)	<u>59,500</u>	<u>0</u>
Balance at December 31, 2007	<u>\$ 536,711</u>	<u>\$ 0</u>
Total Net Assets	<u>\$ 4,737,825</u>	<u>\$ 188,979</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Operating grants	\$ 380,488	\$ 50,674
Tenant revenue	314,635	0
Other revenue	8,997	0
Payments to employees	-206,672	0
Payments to suppliers and contractors	<u>-435,971</u>	<u>-35,674</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 61,477</u>	<u>\$ 15,000</u>
 <u>Investing Activities</u>		
Investments (purchased) redeemed	\$ -4,762	\$ 0
Interest income	<u>15,260</u>	<u>0</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 10,498</u>	<u>\$ 0</u>
 <u>Capital and Related Financing Activities</u>		
HUD grants - capital	\$ 0	\$ 68,005
(Additions) deletions to fixed assets	-11,356	-68,005
Interest expense	-15,635	0
Transfer in/out	15,000	-15,000
Retirement of debt	<u>-33,129</u>	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -45,120</u>	<u>\$ -15,000</u>
Net Change in Cash	\$ 26,855	\$ 0
Cash Balance at December 31, 2006	<u>257,545</u>	<u>0</u>
Cash Balance at December 31, 2007	<u>\$ 284,400</u>	<u>\$ 0</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Reconciliation of Operating Income (Loss) to Net Cash</u> <u>Provided (Used) by Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Net operating income (loss)	\$ -259,660	\$ 15,000
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	349,020	0
(Increase) decrease in accounts receivable	-15,235	35,674
(Increase) decrease in deferred charges	-1,507	0
(Increase) decrease in other assets	-7,830	0
Increase (decrease) in accounts payable	-5,812	-35,674
Increase (decrease) in accrued liabilities	-493	0
Increase (decrease) in deferred revenues	<u>2,994</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 61,477</u>	<u>\$ 15,000</u>

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

Board of Commissioners
Angola Housing Authority
Angola, Indiana

I have audited the financial statements of Angola Housing Authority as of and for the year ended December 31, 2007, which collectively comprise the Angola Housing Authority's basic financial statements and have issued my report thereon dated May 28, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Angola 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 Angola Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Angola 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 Angola 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 Angola Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Angola 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 Angola 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 Angola 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.

I noted certain matters that we reported to management of Angola Housing Authority, in a separate letter dated May 28, 2008.

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

Decatur, Illinois
May 28, 2008

Pamela J. Simpson
Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

**433 WEST PERSHING ROAD
DECATUR, ILLINOIS 62526
(217) 872-1908**

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners
Angola Housing Authority
Angola, Indiana

Compliance

I have audited the compliance of Angola Housing Authority with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Angola 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 Angola Housing Authority's management. My responsibility is to express an opinion on Angola Housing Authority's compliance based on my audit.

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

In my opinion, Angola Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of Angola 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 Angola Housing Authority's internal control over compliance with the requirements that could have a direct and material

effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Angola Housing Authority's internal control over compliance.

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Angola Housing Authority in a separate letter dated May 28, 2008.

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

Decatur, Illinois
May 28, 2008

Pamela J. Simpson
Certified Public Accountant

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2006 contained no findings.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2007**

Section I - Summary of Auditor=s Results

Low Risk Auditee yes no

Financial Statements

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: Unqualified

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

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statements Findings

There were no audit findings discussed with Ms. Kris Strawser, Executive Director, during the course of the audit or at an exit conference held May 28, 2008.

Section III - Federal Awards Findings

There were no audit findings discussed with Ms. Kris Strawser, Executive Director, during the course of the audit or at an exit conference held May 28, 2008.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2007**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accrued compensated absence - C	2134.01	\$ 79.12		2134.01
Accrued compensated absence - NC	2134.02	9,286.16		2134.02
Maintenance comp absence	4432		\$ 4,806.84	2806.512
Administrative comp absence	4481		4,858.44	2806.512
(To adjust liability to actual carryover)				

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Board of Commissioners
Angola Housing Authority
Angola, Indiana

In planning and performing my audit of the financial statements of Angola Housing Authority as of and for the year ended December 31, 2007, 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 Angola Housing Authority=s internal control. Accordingly, I do not express an opinion on the effectiveness of Angola 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 the review of personnel files it was noted that some of the files lacked current W-4's for all employees authorizing current withholding status, authorization of approved pay rates at each adjustment date and authorization of miscellaneous withholdings. Each employee files should be reviewed for completeness and updated accordingly.

2. The listing of maintenance inventory for year end balances was contained line items that reflected negative quantities and cost. An adequate software program should have built in controls that would not permit recording more items removed from inventory than the number available. While the discrepancies noted were not significant at year end, the software provider should be contacted and required to assist in the correction of the obvious internal control problem associated with the software.

3. The Housing Authority=s entire system of internal controls should be formally documented in a written internal control manual (handbook). Discussions with Housing Authority management indicate that the Housing Authority has a system of internal control in place and many of the procedures and policies were currently being reviewed and revised. Complete documentation of current procedures and policies is essential for verification of adherence.

In addition to the current policies and procedures in place, other policies you should consider:

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

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

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

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

Decatur, Illinois
May 28, 2008

Pamela J. Simpson
Certified Public Accountant