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

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

STATE BOARD OF ACCOUNTS

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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

TWELVE MONTHS ENDED DECEMBER 31, 2008

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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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, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Angola Housing Authority, as of December 31, 2008 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2009, 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.



Certified Public Accountant

Decatur, Illinois
September 30, 2009

Management's Discussion and Analysis

As management of the Angola Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Angola Housing Authority.

Overview of the Financial Statements

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

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

Our analysis of the Authority as a whole begins on the next page. The most important question asked about the Authorities finances is "Is the Authority as a whole better or worse off as a result of the year's activities?"

The attached analysis of entity wide net assets, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net assets and changes in them. One can think of the Authority's net assets as the difference between what the Authority own's (assets) to what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority.

ANGOLA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2008

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Over time, significant changes in the Authorities net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authorities capital assets.

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does. The following is a brief description of the programs and services that the Authority provides for the residents of the City of Angola:

Low Income Public Housing (LIPH)

The Housing Authority owns 182 units in Angola. The Authority is responsible for the management, maintenance and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants.

Capital Fund Program (CFP)

These grant programs are awarded by HUD on an annual basis. The purpose of these grants is to improvement the Authority's sites and the management of the Authority. The Authority requisitions funds from HUD as the Authority expends funds. The Authority is permitted four years to fully expend an annual award.

Future Events (New Business)

There are no future events planned by the Authority during the fiscal year ending December 31, 2009 that will significantly affect the Authority's Net Assets either positively or negatively.

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Assets (Statement of Net Assets)

Total Assets for FYE 2008 was \$5,301,843 and at FYE 2007 the amount was \$5,344,374. This represents a net decrease of \$42,531.

Cash increased by \$12,576 or 4%. Cash increased because the Authority had less expense's in the current year.

Other Current Assets increased by \$75,688, related to invested funds and inventory on hand.

Capital Assets decreased by \$130,795. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities decreased by \$25,808 or 17%. The major cause of this was there was less accounts payable for expenses incurred but not yet paid.

Long Term Liabilities decreased by \$36,548 or 14%, due to retirement of debt.

The table below illustrates our analysis:

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>	<u>Percent Variance</u>
Cash	296,976	284,400	12,576	4%
Other Current Assets	449,932	374,244	75,688	20%
Capital Assets	4,554,935	4,685,730	-130,795	-3%
Non Current Assets	0	0	0	0%
Total Assets	5,301,843	5,344,374	-42,531	-1%
Current Liabilities	130,921	156,729	-25,808	-17%
Long Term Liabilities	224,293	260,841	-36,548	-14%
Total Liabilities	355,214	417,570	-62,356	-15%
Net Invested in Capital Assets	4,294,094	4,390,093	-95,999	-2%
Restricted Net Assets	0	0	0	0%
Unrestricted Net Assets	652,535	536,711	115,824	22%
Total Net Assets	4,946,629	4,926,804	19,825	0%

ANGOLA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2008

Analysis of Entity Wide Revenues (Statement of Activities)

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2008 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$820,270
Capital Fund/Comprehensive Grant Program	\$236,740

Total revenues for Fiscal Year Ending December 31, 2008 were \$1,057,010 as compared to the total revenues for Fiscal Year Ending December 31, 2007 of \$803,244. Comparatively, Fiscal Year Ending 2008 revenues increased from Fiscal Year Ending 2007 revenues by \$253,766.

The most significant increase relates to more funds drawn in the Capital Fund Program for capital projects.

	2008	2007	Net Change	Percentage Change
Total Tenant Revenue	359,247	315,494	43,753	14%
HUD Operating Grants	452,341	395,488	56,853	14%
HUD Capital Grants	221,740	68,005	153,735	226%
Investment Income	16,454	15,260	1,194	8%
Other Revenue	7,228	8,997	-1,769	-20%
Total Revenue	<u><u>1,057,010</u></u>	<u><u>803,244</u></u>	<u><u>253,766</u></u>	<u><u>32%</u></u>

ANGOLA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2008

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Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending December 31, 2008 were \$1,023,217 as compared to \$964,639 of total expenditures for Fiscal Year Ending December 31, 2007. Comparatively, Fiscal Year Ending 2008 expenditures increased from Fiscal Year Ending 2007 expenditures by \$58,578. Changes by major expense category will be presented below.

Administrative expenditures increased by \$16,232 or 8%. The major cause for this increase was due to employee benefits.

Tenant Services expenditures decreased by \$20,121 or 82%. The major cause of this decrease was the elimination of tenant services payroll.

Utilities increased by \$16,341 or 11%. Electric and gas increased by \$20,284. Water and sewer costs decreased by 3,943. These changes were normal fluctuations in price and consumption.

Maintenance expenditures decreased by \$886 or 1%.

Extraordinary Maintenance increased by \$18,940, due to required, but unscheduled repairs.

The table on the below illustrates our analysis:

	2008	2007	Net Change	Percent Variances
Administrative	220,938	204,706	16,232	8%
Tenant Services	4,437	24,558	-20,121	-82%
Utilities	104,456	88,115	16,341	15%
Maintenance	229,373	230,259	-886	6%
General Expense and Interest	84,288	61,749	22,539	34%
Extraordinary Maintenance	25,172	6,232	18,940	78%
Casualty Losses	350	0	350	100%
Depreciation Expense	354,203	349,020	5,183	-1%
Total Expenses	<u>\$1,023,217</u>	<u>\$964,639</u>	<u>\$58,578</u>	<u>7%</u>

Budgetary Analysis

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

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

Housing Authority Budgetary Highlights

Results of Operations

Management prepared a budget that anticipated a loss of \$52,228. Actual results of operation reflected a gain of \$33,793.

Tenant Rental Revenues was over budget by \$69,195 or 19%. Units leased for the Public Housing Program increased by 5% over last year.

HUD Operating Grants were as budgeted.

Other Income was over budget by \$1,128 or 18%. The Authority earned additional income from the sale of old refrigerators and stoves and investment income was higher.

Administrative Expenses were over budget by \$6,866 or 3%.

Utilities were under budget by \$32,390 or 23%. Electricity and Gas were lower than budgeted due to energy savings installed.

ANGOLA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2008

	Budget	Actual	Variance	Percent Variances
Tenant Revenue	290,052	359,247	69,195	19%
HUD Operating Grants	452,341	452,341	0	0%
HUD Capital Grants	221,740	221,740	0	0%
Investment Income	12,100	16,454	4,354	27%
Other Revenue	6,100	7,228	1,128	16%
Total Revenue	982,333	1,057,010	74,677	7%
Administrative	214,072	220,938	6,866	3%
Tenant Services	2,400	4,437	2,037	46%
Utilities	136,846	104,456	-32,390	-31%
Maintenance	226,527	229,373	2,846	1%
General Expense	78,058	84,288	6,230	7%
Extraordinary Maintenance	27,900	25,172	-2,728	-11%
Casualty Losses	0	350	350	100%
Depreciation Expenses	348,758	354,203	5,445	2%
Total Expenses	1,034,561	1,023,217	11,344	1%
Net Income/(Loss)	-52,228	33,793	86,021	255%

ANGOLA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2008

ANALYSIS OF CAPITAL ASSET ACTIVITY

Furniture, Equipment & Machinery – Administration increased by a net amount \$1,375 or 1%.

Accumulated Depreciation increased by \$348,122 or 8%. This is the amount of current year depreciation expense.

The changes in Buildings and Leasehold Improvements are generally reclassifications for reporting purposes.

	2008	2007	Net Change	Percent Variance
Land	826,661	826,661	0	0%
Buildings	7,638,475	4,283,465	3,355,010	78%
Furniture, Equipment, & Machinery - Dwelling	0	0	0	0%
Furniture, Equipment, & Machinery - Administrative	243,998	242,623	1,375	1%
Leasehold Improvements	620,189	3,767,687	-3,147,498	-84%
Construction in Process	197,419	188,979	8,440	5%
Total Fixed Assets	9,526,742	9,309,415	217,327	2%
Accumulated Depreciation	4,971,807	4,623,685	348,122	8%
Net Fixed Assets	4,554,935	4,685,730	-130,795	-3%

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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

ASSETS

CURRENT ASSETS

Cash	\$ 296,976
Accounts receivable	114,056
Investments	302,441
Inventory	32,232
Deferred charges	<u>1,203</u>

Total Current Assets \$ 746,908

CAPITAL ASSETS

Land, buildings and equipment	\$ 9,526,742
Less: Accumulated depreciation	<u>-4,971,807</u>

Net Capital Assets \$ 4,554,935

Total Assets \$ 5,301,843

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 61,282
Notes payable	36,548
Accrued liabilities	32,401
Deferred revenue	<u>690</u>

Total Current Liabilities \$ 130,921

NONCURRENT LIABILITIES

Notes payable	\$ <u>224,293</u>
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Total Noncurrent Liabilities \$ 224,293

NET ASSETS

Invested in capital assets	\$ 4,294,094
Unrestricted	<u>652,535</u>

Total Net Assets \$ 4,946,629

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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

Operating Income

Tenant rental revenue	\$ 353,548
Tenant revenue - other	<u>5,699</u>
Total Tenant Revenue	\$ 359,247
HUD grants - operating	452,341
Other revenue	7,098
Gain/loss of sale of fixed assets	<u>130</u>
Total Operating Income	<u>\$ 818,816</u>

Operating Expenses

Administration	\$ 220,938
Tenant services	4,437
Utilities	104,456
Ordinary maintenance and operation	229,373
General expense	84,638
Extraordinary maintenance	25,172
Depreciation	<u>354,203</u>
Total Operating Expenses	<u>\$ 1,023,217</u>
Net Operating Income (Loss)	<u>\$ -204,401</u>

Nonoperating Income (Expense)

Interest expense	\$ -13,968
Interest income	<u>16,454</u>
Total Nonoperating Income (Expense)	<u>\$ 2,486</u>

Capital Contributions

Capital funds grants	<u>\$ 221,740</u>
Changes in net assets	\$ 19,825
Net assets, beginning of year	<u>4,926,804</u>
Net assets, end of year	<u><u>\$ 4,946,629</u></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, 2008**

Operating Activities

Operating grants	\$ 368,619
Tenant revenue	356,192
Other revenue	7,228
Payments to employees	-226,515
Payments to suppliers and contractors	<u>-451,291</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 54,233</u>

Investing Activities

Investments (purchased) redeemed	\$ -7,679
Interest income	<u>16,454</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 8,775</u>

Capital and Related Financing Activities

Capital funds grants	\$ 221,740
(Additions) deletions to fixed assets	-223,408
Interest expense	-13,968
Retirement of debt	<u>-34,796</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -50,432</u>

Net Change in Cash	\$ 12,576
Cash Balance at December 31, 2007	<u>284,400</u>
Cash Balance at December 31, 2008	<u><u>\$ 296,976</u></u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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

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

Net operating income (loss)	\$ -204,401
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	354,203
(Increase) decrease in accounts receivable	-86,768
(Increase) decrease in deferred charges	803
(Increase) decrease in other assets	-4,521
Increase (decrease) in accounts payable	20,083
Increase (decrease) in accrued liabilities	-22,845
Increase (decrease) in deferred revenues	<u>-2,321</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 54,233</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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

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, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

In practice, 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. A formal policy has not been adopted.

(d) Funds -

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

- * Low Rent Public Housing
- * Capital Fund Program

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

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid (demand deposits) investments to be cash equivalents. This is the practice the Housing Authority follows in financial statement presentation although a formal policy has not been adopted.

(f) Accounts Receivable -

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

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(g) Inventories and Materials -

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

(h) Investments -

Investments are stated at cost which approximates market.

(i) 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, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Income Tax -

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

(k) 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.

(l) 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.

(m) 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, 2008
(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.

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 296,976	\$ 308,997

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(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>\$ 302,441</u>	<u>\$ 302,441</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, 2008
(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 \$22,134 in the fiscal year ending December 31, 2008.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable (net)	\$ 6,232
Accounts receivable - HUD	<u>107,824</u>
Subtotal	<u>\$ 114,056</u>

Note 6 - Investments

At December 31, 2008 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificate of Deposit	Variable	<u>\$ 302,441</u>	<u>\$ 302,441</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 1,203</u>
-------------------	-----------------

Note 8 - Fixed Assets

Balance as of December 31, 2008	\$ 4,554,935
Balance as of December 31, 2007	<u>4,685,730</u>
Net Increase (Decrease)	<u>\$ -130,795</u>

Reconciliation

Property betterments and additions	\$ 223,408
Current year depreciation expense	<u>-354,203</u> *
Net Increase (Decrease)	<u>\$ -130,795</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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

Note 8 - Fixed Assets (Continued)

<u>Analysis</u>	01/01/2008 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	12/31/2008 <u>Balance</u>
Land	\$ 826,661	\$ 0	\$ 0	\$ 826,661
Buildings	4,283,465	3,355,010	0	7,638,475
Equipment and furniture	242,623	7,456	6,081	243,998
Leasehold improvements	3,767,687	0	3,147,498	620,189
Construction in progress	<u>188,979</u>	<u>197,419</u>	<u>188,979</u>	<u>197,419</u>
 Total	 \$ 9,309,415	 \$ 3,559,885	 \$ 3,342,558	 \$ 9,526,742
 Accumulated depreciation	 <u>-4,623,685</u>	 <u>-354,203</u> *	 <u>-6,081</u>	 <u>-4,971,807</u>
 Total	 <u>\$ 4,685,730</u>	 <u>\$ 3,205,682</u>	 <u>\$ 3,336,477</u>	 <u>\$ 4,554,935</u>

*Current year depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 21,466
Payroll tax/withholdings payable	13,265
Tenants security deposits	<u>26,551</u>
 Subtotal	 <u>\$ 61,282</u>

Note 10 - Notes Payable

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

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

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

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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

Note 10 Notes Payable (Continued)

The detail of the Housing Authority's other long term debt (energy savings project 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	\$ 36,548	\$ 224,293	\$ 260,841

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>	<u>Interest</u>
2009	\$ 36,548	\$ 12,217
2010	38,387	10,377
2011	40,319	8,445
2012	42,348	6,416
2013	44,479	4,285
Thereafter	58,760	2,195

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued compensated absences	\$ 6,970
Payment in lieu of taxes	<u>25,431</u>
Total	<u>\$ 32,401</u>

Note 12 - Deferred Revenue

This classification consists of the following accounts:

Prepaid rent	\$ 673
Other	<u>17</u>
Total	<u>\$ 690</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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

Note 13 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 14 - 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 15 - Economic Dependency

The Housing Authority received most of its revenue (63%) 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, 2008**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing*	14.850a	IN039	FYE 12/31/08	\$ 437,341	\$ 437,341	\$ 437,341
Public Housing - Capital Fund	14.872	IN039	FYE 12/31/08	\$ 476,011	\$ 236,740	\$ 236,740
Total Housing Assistance				<u>\$ 913,352</u>	<u>\$ 674,081</u>	<u>\$ 674,081</u>

*Denotes major program.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P039501-06**

1. The Actual Modernization Costs of Phase IN36P039501-06 are as follows:

Funds approved	\$ 257,607
Funds expended	<u>257,607</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 257,607
Funds expended	<u>257,607</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated November 17, 2008, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

Board of Commissioners
Angola Housing Authority
Angola, Indiana

I have audited the financial statements of Angola Housing Authority as of and for the year ended March 31, 2008, which collectively comprise the Angola Housing Authority's basic financial statements and have issued my report thereon dated September 30, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered 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 Carroll County 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 on financial reporting that I consider to be a material weakness as defined above.

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 one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs. The finding is listed as finding 2008-1.

I also noted certain matters that I reported to management of Angola Housing Authority, in a separate letter dated September 30, 2009.

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

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
September 30, 2009



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, 2008. 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, 2008. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-1.

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.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies in the internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency.

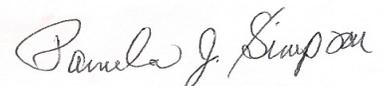
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I did not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

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

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 September 30, 2009.

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

Decatur, Illinois
September 30, 2009



Certified Public Accountant

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

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

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2008**

Section I - Summary of Auditor's Results

Low Risk Auditee _____ yes X no

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X no

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

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes X no

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

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

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

Major Programs: (Threshold \$300,000)

CFDA Number(s)

Public and Indian Housing

14.850a

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statements Findings

There were no financial statement audit findings discussed with Kris Strawser, Executive Director, during the course of the audit and at an exit conference held October 1, 2009.

Section III - Federal Award Findings

There was one federal award audit findings discussed with Kris Strawser, Executive Director, during the course of the audit and at an exit conference held October 1, 2009.

Finding 2008 - 1: Lack of HUD Form 51999

Condition and Criteria: HUD regulations requires that the Housing Authority execute HUD Form 51999 with all financial institutions securing/holding agency funds. The Housing Authority does not have a HUD Form 51999 executed with all depositories.

Effect: Federal deposits are not fully protected as required by HUD regulations.

Cause: The PHA has not executed HUD Form 51999 with all depositories holding funds.

Auditor's Recommendation: The PHA must obtain HUD Form 51999 with all depositories holding PHA funds. If a financial institution fails to execute the required, the PHA must remove funds from that depository.

Grantee Response: The Executive Director will advise the commissioners that all depositories must execute the HUD Form 51999. Financial institutions that have held funds in prior years had previously executed the form, all new depositories will be asked to execute the form immediately or funds will be moved as required.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

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

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Sundry	4190		\$ 629.00	2806
Extraordinary maintenance	4610.020		1,039.00	2806
Equipment	1400.090	\$ 1,668.00		1400.090
Accumulated depreciation	1400.150		40.11	1400.150
Depreciation expense	4800	40.11		2806
(To record two fixed assets not capitalized during year to fixed asset listing)				
(2)				
Vendor payable	2111	\$ 7,674.10		2111
State withholding	2117.03		\$ 873.43	2117.03
County withholding	2117.07		254.58	2117.07
State unemployment	2117.035		67.30	2117.035
Retirement withholding	2117.08		6,478.79	2117.08
(To reclassify payroll withholding paid January 2009 for December 2008 withholding to proper accounts)				
(3)				
Medical insurance	2117.042	\$ 1,471.38		2117.042
Employee benefit contribution	4182		\$ 706.26	2806
Employee benefit - main.	4433		765.12	2806
(To adjust medical insurance withholding for over accrual of withholding year)				
(4)				
Accrued compensated absence	2134.01	\$ 3,713.40		2134.01
Compensated absence expense	4595		\$ 3,713.40	2806
(To adjust to actual per audit)				
(5)				
Inventory	1260	\$ 17,905.18		1260
Allowance for obsolete	1275		\$ 1,343.00	1275
Materials	4420		16,562.18	2806
(To put back on book second cite inventory and set up allowance for obsolete inventory)				

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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, 2008, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

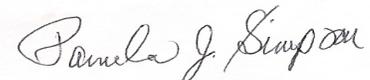
My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies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

1. The detailed listing of maintenance inventory for year end balances was contained line items that reflected negative quantities and cost. The Housing Authority's 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.
2. During my review of insurance coverage, I noted that the Housing Authority maintains a 'position' surety bond. While this type of bond coverage is allowable, it only provides surety coverage for those individuals/positions named in the bond. I suggest that the Housing Authority investigate the possibility of adding a more comprehensive blanket bond for surety/bonding insurance purposes.
3. It was noted that during the current year PHA had additions to fixed assets not on depreciation schedule. A complete physical inventory should be taken of all assets and physical counts should then be reconciled to both the depreciation schedule and the control counts.

4. PHA has a policy for the use of purchase orders. It was noted, however, that purchase orders were being completed after a purchase had occurred. Purchase orders should be issued and approved before a purchase is made and then matched to order receipt.
5. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
6. During the preparation of financial statements, the housing authority has designated certain revenues and certain expenditures as 'operating' revenues or 'operating' expenditures and other accounts are designated as 'non operating'. I suggest that the Housing Authority adopt a formal policy that coincides with the current practice.
7. It was noted that the medical premiums for employee insurance had changed during year, but the amount being withheld from employee did not change. PHA needs to review the amounts being withheld from employees for medical insurance.

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
September 30, 2009



Certified Public Accountant