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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 Barry E. Gaudette, CPA, PC, Independent Public Accountant, for the period January 1, 2010 to December 31, 2010. 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, 2010 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

**HOUSING AUTHORITY OF THE CITY OF ANGOLA
ANGOLA, INDIANA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2010
AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

HOUSING AUTHORITY OF THE CITY OF ANGOLA
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INTRODUCTION

Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

Independent Auditor's Report

Board of Directors
Housing Authority of the City of Angola
Angola, Indiana

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Angola, Indiana, (Housing Authority) as of and for the year ended December 31, 2010, which comprise the Housing Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 above present fairly, in all material respects, the financial position of the business-type activities of the Housing Authority of the City of Angola, Indiana, as of December 31, 2010, and the respective changes in financial position, and cash flows, for the year then ended 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 11, 2011 on my consideration of the Housing Authority of the City of Angola's internal control over financial reporting and on 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 control 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Housing Authority of the City of Angola, Indiana's financial statements as a whole. The accompanying Housing Authority financial data schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards and the financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Barry E. Gaudette, CPA, PC

May 11, 2011

Housing Authority of the City of Angola
Management's Discussion and Analysis (MD&A)
December 31, 2010
(Unaudited)

INTRODUCTION

This Management's Discussion and Analysis (MD&A) of the Angola Housing Authority (Authority) provides an introduction and overview to the financial statements of the Angola Housing Authority for the fiscal year ended December 31, 2010. The Angola Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2010, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Angola Housing Authority. This information contained herein this MD&A should be considered in conjunction with the Authority's basic financial statements and related notes to the financial statements.

The Authority has three individual programs. They include the Low Rent Public Housing Program, the Capital Fund Program, and the Capital Fund Recovery Grant Program (Stimulus Funds). The Low Rent Program consists of 188 dwelling units, of which 154 are leased, 25 are exempt vacant due to modernization, 7 are exempt vacant due to a special use, and another 2 were non-exempt vacant as of December 31, 2010. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula. The Capital Fund Program is also a formula based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations. The purpose of the Capital Fund Recovery Grant is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Authority to provide more jobs and provide energy efficient modernization and renovation of the current dwelling structures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This overview of the financial statement is intended to inform and introduce the reader to the Authority's basic financial statements. The basic financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Assets
- The Statement of Revenues, Expense, and Changes in Net Assets
- The Statement of Cash Flows

The Statement of Net Assets presents information on the assets and liabilities, with the differences between the two being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net Assets is comprised of three individual components:

Housing Authority of the City of Angola
Management's Discussion and Analysis (MD&A)
December 31, 2010
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

- *Investment in Capital Assets, Net of Related Debt* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets.
- *Restricted Net Assets* consists of assets that are restricted by limitations placed on these assets by an external source or party.
- *Unrestricted Net Assets* consists of net assets that do not meet the definition of the above categories. Unrestricted net assets are the amount of funds available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Assets reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended December 31, 2010 to determine the change in net assets for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended December 31, 2010.

FINANCIAL HIGHLIGHTS

- The Angola Housing Authority's total net assets increased from \$4,849,745 to \$5,153,957 an increase of \$304,212 or 6%. The total assets increased by \$40,270 or 1%.
- The unrestricted net asset balance is listed as \$620,094 at December 31, 2010. This represents an increase of \$42,438 or 7% from the previous year.
- Total revenues increased from \$1,057,142 to \$1,415,110 an increase of \$357,968 or 34%.
- Total expenses decreased by \$23,033 from \$1,154,026 to \$1,130,993 for the current year. This represents a decrease of 2%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended December 31, 2010 and December 31, 2009.

**Housing Authority of the City of Angola
Management's Discussion and Analysis (MD&A)
December 31, 2010
(Continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Summary Statement of Net Assets

<u>Category</u>	<u>FYE 2010</u>	<u>FYE 2009</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 689,070	\$ 872,187	\$ (183,117)	(21)%
Fixed Assets (Net of Depreciation)	4,719,769	4,496,382	223,387	5%
Total Assets	<u>5,408,839</u>	<u>5,368,569</u>	<u>40,270</u>	1%
Current Liabilities	99,029	332,918	(233,889)	(70)%
Long Term Liabilities	155,853	185,906	(30,053)	(16)%
Total Liabilities	<u>254,882</u>	<u>518,824</u>	<u>(263,942)</u>	(51)%
Net Assets:				
Unrestricted Net Assets	620,094	577,656	42,438	7%
Investment in Net Fixed Assets	4,533,863	4,272,089	261,774	6%
Total Net Assets	<u>\$ 5,153,957</u>	<u>\$ 4,849,745</u>	<u>\$ 304,212</u>	6%

Cash & Investments

Unrestricted cash and investments decreased from \$514,696 to \$511,431 a decrease of \$3,265 from December 31, 2009 to December 31, 2010. This decrease was due to the general operations of the housing authority.

Current Liabilities

The current liabilities balance decreased by \$233,889 from the previous year, due to the accrual of prior year accounts payable in the amount of \$242,459 as compared to \$9,431 in the current year. This decrease is due to CFP accrued payables of \$188,351 and Low Rent accrued payables of \$54,108 in the previous year, compared to \$0 of CFP accrued payables and \$9,431 of Low Rent accrued payables in the current year.

Net Assets

The Authority's total net assets balance increased \$304,212 from the previous year.

The Authority's unrestricted net assets increased from \$577,656 to \$620,094, an increase of \$42,438, or 7% for the current year. The principal reason for the increase is due to a decrease in current year spending from the prior year. The unrestricted net asset account balance is the amount available for future appropriations. This balance is subject to program specific guidelines.

Housing Authority of the City of Angola
Management's Discussion & Analysis (MD&A)
December 31, 2010
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Net Assets (Continued)

Investment in net fixed assets increased by \$261,774 during the current fiscal year primarily due to the recognition of the current year's additions to net fixed assets and accumulated depreciation, and the payments on long term debt.

Summary Statement of Revenues & Expenses and Changes in Net Assets
Years Ended December 31, 2010 and 2009

<u>Category</u>	<u>FYE 2010</u>	<u>FYE 2009</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 309,112	\$ 303,557	\$ 5,555	2%
Operating Grants	507,592	429,997	77,595	18%
Capital Grants	611,847	311,267	300,580	97%
Interest Income	5,984	9,120	(3,136)	(34)%
Other Revenue	6,269	2,780	3,489	126%
Gain/Loss on Sale of Fixed Assets	(25,694)	421	(26,115)	(6,203)%
Total Revenue	1,415,110	1,057,142	357,968	34%
Administration	293,750	254,020	39,730	16%
Tenant Services	4,537	4,849	(312)	(6)%
Utilities	99,282	101,038	(1,756)	(2)%
Ordinary Maintenance	267,878	265,573	2,305	1%
General Expense	95,991	146,776	(50,785)	(35)%
Interest Expense	10,377	12,217	(1,840)	(15)%
Causalty Losses	0	1,000	(1,000)	(100)%
Depreciation	359,178	368,553	(9,375)	(3)%
Total Expenses	1,130,993	1,154,026	(23,033)	(2)%
Excess of Revenue over Expenses	284,117	(96,884)	381,001	
Net Assets, Beginning of Year	4,849,745	4,946,629	(96,884)	
Prior Period Adjustments	20,095	0	20,095	
Net Assets, End of Year	\$ 5,153,957	\$ 4,849,745	\$ 304,212	

**Housing Authority of the City of Angola
Management's Discussion and Analysis (MD&A)
December 31, 2010
(Continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Results of Operations

Revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenue increased \$357,968 during the current fiscal year. Significant changes noted between the current and prior fiscal years include:

- HUD operating grants increased by \$77,595 from the previous year. Revenue related to operating subsidy had an increase of \$22,045. Operating revenue related to the Capital Fund Program increased by \$55,550.
- Capital grants increased primarily due to increased activity in the Capital Fund Grant Program.
- Tenant Revenue had an increase of \$5,555 from 2009 to 2010. This increase was in spite of a decrease in units leased from 1,837 in 2009 to 1,745 in 2010. Units leased decreased due to the initiation of a capital fund improvement project replacing flooring in units as they become vacant. In spite of this, the overall revenue increase was due to the increase in average monthly rent from \$159 in 2009 to \$177 in 2010.
- Loss on sale of fixed assets increased by \$26,115 due to the disposal during the current year of several obsolete assets that had not been fully depreciated.

Total expenses decreased by \$23,033 compared to the previous year. Significant changes from the previous year included the following:

- Administration increased by \$39,730 primarily as a result of increased administrative benefits of \$15,285, office expense of \$17,325, travel expense of \$12,409. There was a slight decrease in expenses in legal, audit, and administrative salary expenses. The increase in administrative benefits are due to the Assistant Property Manager position going from part-time to full-time and the increase in the overall cost of insurance premiums. The increase in travel shown is due to reclassifying the travel and training expenses into the single category of travel. Increased office expenses included additional monthly internet charges for resident computer labs, virus protection, advertising to increase occupancy and various sundry items.
- Ordinary maintenance increased by \$2,305 as a result of higher maintenance salaries, benefits, and maintenance contract expenses.
- Other General expenses decreased by \$50,785 primarily due to categorizing the insurance expenses with the general fund in 2009 and in a separate category in 2010.

**Housing Authority of the City of Angola
Management's Discussion and Analysis (MD&A)
December 31, 2010
(Continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Results of Operations (Continued)

- The prior period adjustment was due to an error in the recording of 2008 CFP advances in the prior year. Accrued advances totaling \$20,095 were recorded that were never advanced to the housing authority.

CAPITAL ASSETS

As of December 31, 2010, the Angola Housing Authority's investment in capital assets was \$4,524,089. This investment includes land, building, construction in progress, and equipment net of related debt.

<u>Category</u>	<u>FYE 2010</u>	<u>FYE 2009</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 826,661	\$ 826,661	\$ 0	0%
Buildings	8,885,834	8,452,873	432,961	5%
Equipment	227,744	247,138	(19,394)	(8)%
Construction in progress	421,893	294,508	127,385	43%
Accumulated depreciation	(5,642,363)	(5,324,798)	(317,565)	6%
Total Net Fixed Assets	<u>\$ 4,719,769</u>	<u>\$ 4,496,382</u>	<u>\$ 223,387</u>	5%

The addition to the building account is a result of renovations and A/C replacement projects being funded from the 2008, 2009, and 2010 Capital Fund Grants and the Capital Fund Recovery Grant. There were some decreases in the building account during the current year due to the disposal of several obsolete assets.

The change in the equipment account is due to the completion and addition of computer room equipment replacement and the disposal during the current year of several obsolete assets.

The change in the construction in progress account is due to multiple capital projects, including flooring, security camera replacement, and building renovations projects being funded by the 2008, 2009, and 2010 Capital Fund Grants and the Capital Fund Recovery Grant.

Housing Authority of the City of Angola
Management's Discussion and Analysis (MD&A)
December 31, 2010
(Continued)

LONG TERM DEBT

At December 31, 2010, the Housing Authority had \$185,906 in energy saving project debt payable outstanding versus \$224,293 last year. 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	<u>\$ 30,053</u>	<u>\$ 155,853</u>	<u>\$ 185,906</u>

SUBSEQUENT EVENT

Future Capital Fund Expenditures will be the ongoing replacement of flooring and bi-fold doors as units become vacant and the completion of landscaping projects at both properties. The ARRA monies were designated to install air conditioning units at the Northlake property. That project is finished, all funds are spent and the final HUD reporting has been completed. The future expenditures are uncertain as HUD has announced the continued proration of operating subsidy at 97% for 2010, the recapturing of Housing Authority reserves, which could potentially amount to 32% of the reserves, and deep cuts in the Capital Fund grants.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Angola Housing Authority
Kris Strawser, Executive Director
617 N. Williams Street
Angola, IN 46703

FINANCIAL STATEMENTS

Housing Authority of the City of Angola
Statement of Net Assets
December 31, 2010

ASSETS

Current Assets:

Cash and cash equivalents	\$	246,431
Receivables, net		102,982
Investments		265,000
Prepaid expenses and other assets		47,851
Inventories, net		26,806
Total Current Assets		689,070

Capital Assets:

Land		826,661
Buildings		8,885,834
Equipment		227,744
Construction in progress		421,893
		10,362,132
Less: accumulated depreciation		(5,642,363)
Net Capital Assets		4,719,769

Total Assets		\$ 5,408,839
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LIABILITIES and NET ASSETS

Current Liabilities:

Accounts payable		\$ 29,685
Tenant security deposit liability		23,020
Accrued expenses		13,250
Deferred revenues		3,021
Current portion of long-term debt		30,053
Total Current Liabilities		99,029

Noncurrent Liabilities:

Long-term debt, net of current		155,853
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Total Liabilities		254,882
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Net Assets:

Invested in capital assets		4,533,863
Unrestricted net assets		620,094
Total Net Assets		5,153,957

Total Liabilities and Net Assets		\$ 5,408,839
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See notes to financial statements

Housing Authority of the City of Angola
Statement of Revenues, Expenses, And
Changes in Net Assets
Year Ended December 31, 2010

OPERATING REVENUES:

Dwelling rent	\$ 295,522
Non dwelling rents	13,590
Operating grants	<u>507,592</u>

Total operating revenues	<u>816,704</u>
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OPERATING EXPENSES:

Administration	293,750
Tenant services	4,537
Utilities	99,282
Ordinary maintenance and operation	267,878
Insurance	46,097
General expenses	49,894
Depreciation	<u>359,178</u>

Total operating expenses	<u>1,120,616</u>
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Operating income (loss)	<u>(303,912)</u>
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NONOPERATING REVENUES (EXPENSES):

Investment interest income	5,984
Interest expense	(10,377)
Other income	6,269
Loss on sale of capital assets	<u>(25,694)</u>

Total non operating revenues (expenses)	<u>(23,818)</u>
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Income (loss) before contributions	(327,730)
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CAPITAL CONTRIBUTIONS

	<u>611,847</u>
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Change in net assets	284,117
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Prior period adjustments	20,095
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Net assets, beginning	<u>4,849,745</u>
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Net assets, ending	<u><u>\$ 5,153,957</u></u>
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See notes to financial statements

Housing Authority of the City of Angola
Statement of Cash Flows
Year Ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from dwelling and non dwelling rents	\$ 312,250
Cash received from operating grants	507,592
Cash payments to other suppliers of goods and services	(530,257)
Cash payments to employees for services	(315,282)
Cash payments for in lieu of taxes	<u>(20,056)</u>
Net cash (used) by operating activities	<u>(45,753)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Prior period adjustments	20,095
Tenant security deposits	1,965
Other revenue	<u>6,269</u>
Net cash provided by noncapital financing activities	<u>28,329</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING	
Loss on sale of capital assets	(67,307)
Capital grants	666,619
Payments for capital acquisitions	(540,952)
Interest expense	(10,377)
Principal payments on long-term debt	<u>(38,387)</u>
Net cash provided by capital and related financing activities	<u>9,596</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investments increased by	(265,000)
Receipts of interest income	<u>4,563</u>
Net cash (used) by investing activities	<u>(260,437)</u>
Net increase (decrease) in cash	(268,265)
Cash and cash equivalents, beginning	<u>514,696</u>
Cash and cash equivalents, ending	<u><u>\$ 246,431</u></u>

See notes to financial statements

Housing Authority of the City of Angola
Statement of Cash Flows (Continued)
Year Ended December 31, 2010

RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (303,912)
Adjustments to reconcile operating (loss) to net cash provided (used)	
By operating activities:	
Depreciation	359,178
Bad debt allowance adjustment	607
Obsolete inventory	1,635
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	795
Prepaid expenses	(43,479)
Inventories	2,985
Increase (decrease) in liabilities:	
Accounts payable	(69,070)
Accrued wages/payroll taxes payable	11,274
Accrued compensated absences	(8,753)
Accounts payable-PILOT	644
Deferred revenues	2,343
	(45,753)
Net cash (used) by operating activities	\$ (45,753)

See notes to financial statements

Housing Authority of the City of Angola
Notes to Financial Statements
December 31, 2010

NOTE 1: Summary of Significant Accounting Policies

The Housing Authority of the City of Angola is a Public Housing Agency created by the City of Angola on September 23, 1968, consisting of a five member board appointed by the City Mayor and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Authority complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Authority the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Authority has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Authority's financial reporting entity comprises the following:

Primary Government:	Housing Authority
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In determining the financial reporting entity, the Housing Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Authority appointed a voting majority of the units' board; the Housing Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Authority's programs as an enterprise fund.

1(b) Basis of Presentation (Continued)

Following is a description of the Housing Authority's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liability, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

1(d) Assets, Liabilities, and Equity (Continued)

Cash and Investments (Continued)

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Authority adopts a formal operating budget each year for its operating programs and on a project length basis for its' capital expenditures which are approved by the Board of Directors and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Authority uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

1(d) Assets, Liabilities, and Equity (Continued)

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$1,500 or more. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings		40 years
Building improvements	15 -	40 years
Transportation equipment		5 years
Equipment	5 -	10 years
Furniture and fixtures	5 -	10 years

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.

1(d) Assets, Liabilities, and Equity (Continued)

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 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 employees' 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.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a) Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Authority had no related debt.
- b) Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise fund are charges to tenants for rents, non dwelling rents, and operating grants from HUD. Operating expenses for the operating fund include the cost of administrative, tenant services, utilities, ordinary maintenance and operation, general, casualty losses, housing assistance payments, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

1(e) Revenues, Expenditures, and Expenses

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Authority's policy is to fund pension costs as they accrue

.

Income Taxes

The Housing Authority is exempt from federal and state income taxes. The Housing Authority has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Authority and its component units, if any, are subject to various Federal, state, and local laws and contractual regulations. An analysis of the Housing Authority's compliance with significant laws and regulations and demonstration of its stewardship over Housing Authority resources follows.

2(a) Program Accounting Requirements

The Housing Authority complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Authority are as follows:

Program	Required By
Public and Indian Housing Program	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

Investments of the Housing Authority are limited by state law to the following:

- a) Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b) Certificates of deposit or savings accounts are either insured or secured with acceptable collateral.

In accordance with state law, all uninsured deposits of the Housing Authority in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Authority must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

2(b) Revenue Restrictions

The Housing Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i> Capital Fund Program	<i>Legal Restrictions of Use</i> Modernization
---	---

For the year ended December 31, 2010, the Housing Authority complied, in all material respects, with these revenue restrictions.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Authority's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Authority based upon how its deposits were insured or secured with collateral at December 31, 2010. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Housing Authority (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Authority's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 49,994	\$ 49,994	\$ 0	\$ 0	\$ (39,565)
Sweep account	209,938	209,938	0	0	209,938
Savings account	75,907	75,907	0	0	75,908
	<u>\$ 335,839</u>	<u>\$ 335,839</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 246,281</u>

3(a) Cash and Investments (Continued)

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at September 30, 2010. The categories of credit risk are defined as follows:

Category 1 – Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2 – Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 – Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Certificates of deposits	<u>\$ 265,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 265,000</u>	<u>\$ 265,000</u>

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Cash on hand	\$ 150
Carrying amount of deposits	246,281
Investments	265,000
Total	<u>\$ 511,431</u>
Cash and investments:	
Enterprise activities	\$ 600,989
Enterprise activities – deposits in transit	404
Enterprise activities – checks written in excess of deposits	(89,962)
Total	<u>\$ 511,431</u>

3(b) Receivables

Receivables detail at December 31, 2010, is as follows:

Accounts receivable-HUD-capital funds	\$ 99,395
Tenant accounts receivable	4,073
Allowance for doubtful accounts	(1,907)
Accrued interest receivable	1,421
	<u>\$ 102,982</u>

3(c) Prepaid Expenses and Other Assets

Prepaid detail at December 31, 2010, is as follows:

Prepaid insurance	\$	45,492
Deferred charges		2,359
	\$	<u>47,851</u>

3(d) Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Balance 12/31/09</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 12/31/10</u>
Low Rent Program				
Land	\$ 826,661	\$ 0	\$ 0	\$ 826,661
Buildings	7,808,927	1,076,907	0	8,885,834
Furniture, equipment & machinery - administration	247,138	0	(19,394)	227,744
Building improvements	643,946	0	(643,946)	0
Construction in progress	294,508	127,385	0	421,893
	<u>9,821,180</u>	<u>\$ 1,204,292</u>	<u>\$ (663,340)</u>	<u>10,362,132</u>
Less accumulated depreciation	<u>(5,324,798)</u>	<u>\$ (368,553)</u>	<u>\$ 15,562</u>	<u>(5,642,363)</u>
Total	<u>\$ 4,496,382</u>			<u>\$ 4,719,769</u>

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Low Rent Program	<u>\$ 368,553</u>

3(e) Accounts Payable

Payable detail at December 31, 2010, is as follows:

Accounts payable-trade	\$ 9,431
Accounts payable-other government-PILOT	20,254
	<u>\$ 29,685</u>

3(f) Accrued Expenses

Accrued expense detail at December 31, 2010, is as follows:

Accrued wages/payroll taxes payable	<u>\$ 13,250</u>
-------------------------------------	------------------

3(g) Deferred Revenue

Deferred revenue detail at December 31, 2010, is as follows:

Tenant prepaid rent	<u>\$ 3,021</u>
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3(h) Inter program Transactions and Balance

Equity Transfers

There was an equity transfer of \$147,558 from the stimulus grant to the Low Rent Program.

Operating Transfers

There was an operating transfer of \$63,616 from the capital fund program to the low rent program during the fiscal year ended December 31, 2010.

Inter program Receivable/Payable

There were no inter program receivables or payables.

3(i) Notes Payable

The Housing Authority has an energy savings project loan. The details are 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>
FifthThird Bank	5.0%	04/01/15	<u>\$ 30,053</u>	<u>\$ 155,853</u>	<u>\$ 185,906</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>	<u>Interest</u>
2011	\$ 30,053	\$ 6,520
2012	41,831	6,933
2013	43,937	4,828
2014	46,148	2,616
2015	23,937	444

NOTE 4: Other Notes

4(a) Employee Retirement Plans

The Housing Authority contributes to the Indiana Public Employees' 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 \$11,436 in the fiscal year ending December 31, 2010.

4(b) Risk Management

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4) Commitments and Contingencies

Commitments – Construction

At December 31, 2010, the Housing Authority had the following pending construction projects in progress:

	LOCCS Authorized	LOCCS Disbursed
2008 CFP	\$ 256,751	\$ 256,751
2009 CFRG	324,996	324,996
2009 CFP	262,138	131,823

Contingencies

The Housing Authority is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

SUPPLEMENTARY INFORMATION

**Housing Authority of the City of Angola
Schedule of Expenditures of Federal Awards
And Notes to the Schedule of Federal Awards
Year Ended December 31, 2010**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major – Direct Program</u>		
2010	Low Rent Public Housing	14.850	\$ 423,881
	<u>Public and Indian Housing Major – Direct Program</u>		
2010	Capital Fund Program	14.872	548,000
	<u>Public and Indian Housing Non-major – Direct Program</u>		
2010	Formula Capital Fund Stimulus Grant	14.885	<u>147,558</u>
	Total		<u>\$ 1,119,439</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

Housing Authority of the City of Angola
Financial Data Schedule
Year Ended December 31, 2010

FDS Line Item No.		Low Rent Program
	ASSETS	
	Current assets:	
111	Cash-unrestricted	\$ 223,411
114	Cash-tenant security deposit	23,020
100	Total cash	<u>246,431</u>
	Receivables:	
122	Accounts receivable-HUD-capital fund	99,395
126	Accounts receivable-tenants	4,073
126.1	Allowance for doubtful accounts	(1,907)
129	Accrued interest receivable	1,421
120	Total receivables, net	<u>102,982</u>
	Investments:	
131	Investments-unrestricted	<u>265,000</u>
	Other Current Assets:	
142	Prepaid expenses	47,851
143	Inventories	29,784
143.1	Allowance for obsolete inventories	(2,978)
150	Total current assets	<u>689,070</u>
	Noncurrent Assets:	
	Fixed Assets:	
161	Land	826,661
162	Buildings	8,885,834
164	Furniture, equipment & machinery-administration	227,744
166	Accumulated depreciation	(5,642,363)
167	Construction in progress	421,893
160	Total fixed assets, net	<u>4,719,769</u>
180	Total non-current assets	<u>4,719,769</u>
190	Total Assets	<u>\$ 5,408,839</u>

Housing Authority of the City of Angola
Financial Data Schedule
(Continued)
Year Ended December 31, 2010

FDS Line Item No.		Low Rent Program
	LIABILITIES and NET ASSETS	
	Liabilities:	
	Current liabilities:	
312	Accounts payable	\$ 9,431
321	Accrued wage/payroll taxes payable	13,250
333	Accounts payable-other government	20,254
341	Tenant security deposits	23,020
342	Deferred revenues	3,021
348	Loan liability-current	30,053
310	Total current liabilities	<u>99,029</u>
	Noncurrent liabilities:	
355	Loan liability-noncurrent	<u>155,853</u>
300	Total liabilities	<u>254,882</u>
	Net assets:	
508.1	Invested in capital assets	4,533,863
512.1	Unrestricted net assets	<u>620,094</u>
513	Total net assets	<u>5,153,957</u>
	Total Liabilities and Net Assets	<u><u>\$ 5,408,839</u></u>

Housing Authority of the City of Angola
Financial Data Schedule
(Continued)
Year Ended December 31, 2010

FDS Line Item No.		Low Rent Program 14.850
	Revenues	
70300	Net tenant rental revenue	\$ 295,522
70400	Tenant revenue-other	13,590
70500	Total tenant revenue	309,112
70600	HUD PHA operating grants	423,881
70610	Capital grants	0
71100	Investment income-unrestricted	5,984
71500	Other income	6,269
71600	Gain or loss on sale of capital assets	(25,694)
70000	Total revenue	719,552
	Expenses	
	Administrative:	
91100	Administrative salaries	120,808
91200	Auditing fees	3,000
91400	Advertising and marketing	2,424
91500	Employee benefit contributions	62,905
91600	Office expenses	29,268
91700	Legal expense	2,499
91800	Travel	14,854
91900	Other	57,992
91000	Total operating-administrative	293,750
	Tenant Services:	
92400	Other	4,537
	Utilities:	
93100	Water	10,564
93200	Electricity	49,238
93300	Gas	21,707
93600	Sewer	17,773
93000	Total utilities	99,282
	Ordinary maintenance and operations:	
94100	Labor	82,076
94200	Materials and other	50,731
94300	Contracts	93,160
94500	Employee benefit contribution	41,911
94000	Total maintenance	267,878

Public Housing Capital Fund Program 14.872	Formula Capital Fund Stimulus Grant 14.885	Totals
\$ 0	\$ 0	\$ 295,522
0	0	13,590
0	0	309,112
83,711	0	507,592
464,289	147,558	611,847
0	0	5,984
0	0	6,269
0	0	(25,694)
548,000	147,558	1,415,110
0	0	120,808
0	0	3,000
0	0	2,424
0	0	62,905
0	0	29,268
0	0	2,499
0	0	14,854
0	0	57,992
0	0	293,750
0	0	4,537
0	0	10,564
0	0	49,238
0	0	21,707
0	0	17,773
0	0	99,282
0	0	82,076
0	0	50,731
0	0	93,160
0	0	41,911
0	0	267,878

Housing Authority of the City of Angola
Financial Data Schedule
(Continued)
Year Ended December 31, 2010

		Low Rent Program <u>14,850</u>
	Expenses (continued):	
	Insurance:	
96110	Property insurance	32,963
96120	Liability insurance	6,801
96130	Workmen's compensation	1,285
96140	All other insurance	<u>5,048</u>
96100	Total insurance premiums	<u>46,097</u>
	Other general expenses:	
96200	Other general expenses	17,026
96210	Compensated absences	10,103
96300	Payments in lieu of taxes	20,700
96400	Bad debt-tenant rents	<u>2,065</u>
96000	Total other general expenses	<u>49,894</u>
96720	Interest on notes payable	<u>10,377</u>
96700	Total interest expense	<u>10,377</u>
96900	Total operating expenses	<u>771,815</u>
97000	Excess revenue over operating expenses	<u>(52,263)</u>
	Other expenses:	
97400	Depreciation expense	<u>338,529</u>
90000	Total expenses	<u>1,110,344</u>
10010	Operating transfer in	63,616
10020	Operating transfer out	<u>0</u>
10100	Total other financing sources (uses)	<u>63,616</u>
10000	Excess (deficiency) of revenue over(under) expenses	(327,176)
11030	Beginning equity	4,702,436
11040	Prior period adjustment and equity transfer	<u>231,289</u>
	Ending equity	<u>\$ 4,606,549</u>
11190	Unit months available	1,727
11210	Unit months leased	1,722

Public Housing Capital Fund Program 14.872	Formula Capital Fund Stimulus Grant 14.885	Totals
0	0	32,963
0	0	6,801
0	0	1,285
0	0	5,048
<u>0</u>	<u>0</u>	<u>46,097</u>
0	0	17,026
0	0	10,103
0	0	20,700
0	0	2,065
<u>0</u>	<u>0</u>	<u>49,894</u>
0	0	10,377
<u>0</u>	<u>0</u>	<u>10,377</u>
0	0	771,815
<u>548,000</u>	<u>147,558</u>	<u>643,295</u>
<u>20,649</u>	<u>0</u>	<u>359,178</u>
<u>20,649</u>	<u>0</u>	<u>1,130,993</u>
0	0	63,616
(63,616)	0	(63,616)
<u>(63,616)</u>	<u>0</u>	<u>0</u>
463,735	147,558	284,117
147,309	0	4,849,745
<u>(63,636)</u>	<u>(147,558)</u>	<u>20,095</u>
<u>\$ 547,408</u>	<u>\$ 0</u>	<u>\$ 5,153,957</u>

Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

**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 Directors
Housing Authority of the City of Angola
Angola, Indiana

I have audited the financial statements of the business-type activities of Housing Authority of the City of Angola, Indiana, (Housing Authority) as of and for the year ended December 31, 2010, and have issued my report thereon dated May 11, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the 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 Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Board of Directors, others within the entity, the Indiana Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Gaudette, CPA, PC

May 11, 2011

Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

**Independent Auditor's Report on Compliance with Requirements
That could have a Direct and Material Effect on Each Major
Program and on Internal Control over Compliance
In Accordance with OMB Circular A-133**

Board of Directors
Housing Authority of the City of Angola
Angola, Indiana

Compliance

I have audited Housing Authority of the City of Angola's, Indiana (the Housing Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Housing Authority's major federal program for the year ended December 31, 2010. The Housing Authority's major federal program is 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 its major federal program is the responsibility of the Housing Authority's management. My responsibility is to express an opinion on the 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 the 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 the Housing Authority's compliance with those requirements.

In my opinion, the Housing Authority, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

Internal Control over Compliance

Management of the 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 the Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

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

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

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

**Housing Authority of the City of Angola
Status of Prior Audit Findings
December 31, 2010**

There were no prior audit findings.

**Housing Authority of the City of Angola
Schedule of Findings and Questioned Costs
December 31, 2010**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? none reported

Noncompliance material to financial statements noted? no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance With Section 510(a) of *OMB Circular A-133*? no

Identification of major programs;

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
14.850	Low Rent Public Housing Program
14.872	Public Housing Capital Fund Program

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

Auditee qualified as low-risk auditee? Yes

Section II - Findings Related to the Financial Statements

There were no findings which are required to be reported under *Government Auditing Standards*.

Section III - Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.