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May 18, 2009

Board of Commissioners
Angola Housing Authority
617 Williams St.
Angola, IN 46703-1173

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2006 to December 31, 2006. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Angola Housing Authority, as of December 31, 2006, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' 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, 2006

**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, 2006, 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.

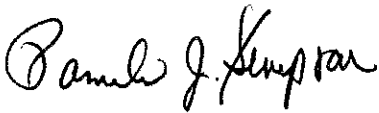
In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Angola Housing Authority, as of December 31, 2006 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 13, 2007 on the Angola Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements of the Angola Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Angola Housing Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Angola Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.

Decatur, Illinois
September 13, 2007



Certified Public Accountant

FISCAL YEAR ENDING DECEMBER 31, 2006

Management's Discussion and Analysis

As management of the Housing Authority of the city of Angola, 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, 2006. 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, Housing Authority of the city of Angola.

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.

**HOUSING AUTHORITY OF THE CITY OF ANGOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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FISCAL YEAR ENDING DECEMBER 31, 2006

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, 2007 that will significantly affect the Authority's Net Assets either positively or negatively.

**HOUSING AUTHORITY OF THE CITY OF ANGOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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FISCAL YEAR ENDING DECEMBER 31, 2006

Condensed Comparative Financial Statements

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

Total Assets for FYE 2006 was \$5,585,408 and at FYE 2005 the amount was \$5,501,579. This represents a net increase of \$83,829.

Cash decreased by only \$1,450 or 1%.

Other Current Assets increased by \$42,314. The Authority had an increase in accounts receivable – HUD related to the Capital Funds Program.

Capital Assets increased by \$42,965. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased by 81%. The major cause of this was December bills not paid until next fiscal year and the 2005 PILOT liability that was not paid until 2007.

Long Term Liabilities decreased because of the retirement of a portion of long term debt (\$31,542). No new debt was issued during the current year.

The table below illustrates our analysis:

	<u>2006</u>	<u>2005</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash	257,545	258,995	(1,450)	-1%
Other Current Assets	372,474	330,160	42,314	13%
Capital Assets	4,955,389	4,912,424	42,965	1%
Non Current Assets	0	0	0	0%
Total Assets	<u>5,585,408</u>	<u>5,501,579</u>	<u>83,829</u>	<u>2%</u>
Current Liabilities	181,717	100,372	81,345	81%
Long Term Liabilities	299,857	335,512	(35,655)	-11%
Total Liabilities	<u>481,574</u>	<u>435,884</u>	<u>45,690</u>	<u>11%</u>
Net Invested in Capital Assets	4,626,623	4,552,116	74,507	2%
Restricted Net Assets	0	0	0	0%
Unrestricted Net Assets	477,211	513,579	(36,368)	-7%
Total Net Assets	<u><u>5,103,834</u></u>	<u><u>5,065,695</u></u>	<u><u>38,139</u></u>	<u><u>1%</u></u>

**HOUSING AUTHORITY OF THE CITY OF ANGOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FISCAL YEAR ENDING DECEMBER 31, 2006

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 2006 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$661,325
Capital Fund/Comprehensive Grant Program	\$428,359

Total revenues for Fiscal Year Ending December 31, 2006 were \$1,089,684 as compared to the total revenues for Fiscal Year Ending December 31, 2005 of \$915,719. Comparatively, Fiscal Year Ending 2006 revenues exceeded Fiscal Year Ending 2005 revenues by \$173,965.

	<u>2006</u>	<u>2005</u>	<u>Variance</u>	<u>Percentage Change</u>
Total Tenant Revenue	335,272	330,353	4,919	2%
HUD Operating Grants	357,244	381,812	(24,568)	-6%
HUD Capital Grants	428,359	190,719	237,640	125%
Investment Income	11,916	8,369	3,547	42%
Other Revenue	(43,107)	4,466	(47,573)	-1065%
Total Revenue	<u>1,089,684</u>	<u>915,719</u>	<u>173,965</u>	<u>19%</u>

HUD Capital Grants decreased due to two major projects completed in the current year and the 2006 Capital Funds Program just getting started.

Investment Income increased with higher interest rates being paid by depositories.

Other Revenue decreased due to the disposition of assets not yet fully depreciated (which resulted in a loss on the disposal).

**HOUSING AUTHORITY OF THE CITY OF ANGOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FISCAL YEAR ENDING DECEMBER 31, 2006

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending December 31, 2006 were \$1,051,545 as compared to \$959,565 of total expenditures for Fiscal Year Ending December 31, 2005. Comparatively, Fiscal Year Ending 2006 expenditures exceeded Fiscal Year Ending 2005 expenditures by \$91,980. Changes by major expense category will be presented below.

Administrative expenditures increased by \$16,279 or 8%. The major cause for this increase was due to salaries and employee benefits due to annual increases.

Tenant Services expenditures increased by \$2,948 or 9% also related to salary and related benefit increases.

Utilities increased by \$12,602 or 14%. Electric and gas increased by \$9,082. This increased due to a colder winter resulting in higher usage. Water and sewer costs increased because of a price increase.

Maintenance expenditures increased by \$40,020 or 21%. The major cause for this increase is materials and contract costs.

Extraordinary Maintenance increased by \$29,388 due to unexpected and unanticipated repairs not required in the prior year.

The table below illustrates our analysis:

	2006	2005	Net Change	Percent Variances
Administrative	210,318	194,039	16,279	8%
Tenant Services	35,432	32,484	2,948	9%
Utilities	99,923	87,321	12,602	14%
Maintenance	234,373	194,353	40,020	21%
General Expense	92,952	-6,832	-6,832	-7%
Extraordinary Maintenance	29,388	0	29,388	100%
Depreciation Expense	349,159	351,584	-2,425	-1%
Total Expenses	<u>\$1,051,545</u>	<u>\$959,565</u>	<u>\$91,980</u>	<u>10%</u>

**HOUSING AUTHORITY OF THE CITY OF ANGOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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FISCAL YEAR ENDING DECEMBER 31, 2006

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 budget is equal to the actual expense.

Housing Authority Budgetary Highlights

Results of Operations

Management prepared a budget that anticipated a loss of \$136,529. Actual results of operation reflected a gain of \$38,139.

Tenant Rental Revenues was over budget by \$119,272 or 55%. This is higher than what was projected in the Operating Budget.

HUD Operating Grants were under budget by \$666,765.

Other Income was under budget by \$44,407. The Authority disposed of many assets in the fiscal year.

Administrative Expenses were over budget by \$13,036 or 7%.

Utilities were over budget by \$22,663 or 29%. Electricity costs were higher than anticipated due to a colder winter.

**HOUSING AUTHORITY OF THE CITY OF ANGOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FISCAL YEAR ENDING DECEMBER 31, 2006

	Budget	Actual	Variance	Percent Variances
Tenant Revenue	216,000	335,272	-119,272	-55%
HUD Operating Grants	1,024,009	357,244	666,765	65%
HUD Capital Grants	0	428,359	-428,359	0%
Investment Income	2,000	11,916	-9,916	-496%
Other Revenue	1,300	4,349	-3,049	-235%
Gain/Loss on Sale of Fixed Assets	0	-47,456	47,456	100%
Total Revenue	1,243,309	1,089,684	153,625	12%
Administrative	197,282	210,318	-13,036	-7%
Tenant Services	1,200	35,432	-34,232	-2853%
Utilities	77,260	99,923	-22,663	-29%
Maintenance	105,030	234,373	-129,343	-123%
General Expense	35,870	92,952	-57,082	-159%
Extraordinary Maintenance	0	29,388	-29,388	0%
Depreciation Expenses	131,392	349,159	-217,767	-166%
Total Expenses	548,034	1,051,545	-503,511	-92%
Net Income/(Loss)	695,275	38,139	-12,490	0%

**HOUSING AUTHORITY OF THE CITY OF ANGOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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FISCAL YEAR ENDING DECEMBER 31, 2006

ANALYSIS OF CAPITAL ASSET ACTIVITY

Buildings – no changes.

Furniture, Equipment & Machinery – Dwelling decreased by a net amount \$154,048 or 100%. The net decrease was due to the authority policy.

Furniture, Equipment & Machinery – Administration decreased by a net amount \$76,151 or 26%.

Accumulated Depreciation increased by \$164,843 or 4%. This is the amount of current year depreciation expense.

	2006	2005	Net Change	Percent Variance
Land	826,661	826,661	0	0.0%
Buildings	4,283,465	4,283,465	0	0.0%
Furniture, Equipment, & Machinery - Dwelling	0	154,048	-154,048	-100.0%
Furniture, Equipment, & Machinery - Administrative	220,908	297,059	-76,151	-25.6%
Leasehold Improvements	3,787,710	3,269,071	518,639	15.9%
Construction in Process	120,973	201,605	-80,632	-40.0%
Total Fixed Assets	9,239,717	9,031,909	207,808	2.3%
Accumulated Depreciation	4,284,328	4,119,485	164,843	4.0%
Net Fixed Assets	4,955,389	4,912,424	42,965	0.9%

Significant asset additions include Capital Funds renovations, software, a snow plow and energy improvements.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2006**

ASSETS

CURRENT ASSETS

Cash	\$ 257,545
Accounts receivable (interfund eliminated)	62,094
Investments	290,000
Inventory	19,881
Deferred charges	<u>499</u>
Total Current Assets	<u>\$ 630,019</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 9,239,717
Less: Accumulated depreciation	<u>-4,284,328</u>
Net Capital Assets	<u>\$ 4,955,389</u>
Total Assets	<u>\$ 5,585,408</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 97,052
Notes payable	33,129
Accrued liabilities	51,519
Deferred revenue	<u>17</u>
Total Current Liabilities	<u>\$ 181,717</u>

NONCURRENT LIABILITIES

Accrued liabilities	\$ 4,220
Notes payable	<u>295,637</u>
Total Noncurrent Liabilities	<u>\$ 299,857</u>

NET ASSETS

Invested in capital assets	\$ 4,626,623
Unrestricted	<u>477,211</u>
Total Net Assets	<u>\$ 5,103,834</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF INCOME AND EXPENSES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED DECEMBER 31, 2006**

Operating Income

Tenant rental revenue	\$ 327,649
Tenant revenue - other	<u>7,623</u>
 Total Tenant Revenue	 \$ 335,272
 HUD grants - operating	 357,244
Gain/loss of sale of fixed assets	-47,456
Other revenue	<u>4,349</u>
 Total Operating Income	 <u>\$ 649,409</u>

Operating Expenses

Administration	\$ 210,318
Tenant services	35,432
Utilities	99,923
Ordinary maintenance and operation	234,373
General expense	75,729
Extraordinary maintenance	29,388
Depreciation	<u>349,159</u>
 Total Operating Expenses	 <u>\$ 1,034,322</u>
 Net Operating Income (Loss)	 <u>\$ -384,913</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 428,359
Interest expense	-17,223
Interest income	<u>11,916</u>
 Total Nonoperating Income (Expense)	 <u>\$ 423,052</u>
 Changes in net assets	 \$ 38,139
Net assets, beginning of year	<u>5,065,695</u>
 Net assets, end of year	 <u>\$ 5,103,834</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2006**

Operating Activities

Operating grants	\$ 298,918
Tenant revenue	333,254
Other revenue	-43,107
Payments to employees	-239,214
Payments to suppliers and contractors	<u>-365,008</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -15,157</u>

Investing Activities

Investments (purchased) redeemed	\$ 14,321
Interest income	<u>11,916</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 26,237</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 428,359
(Additions) deletions to fixed assets	-392,124
Interest expense	-17,223
Retirement of debt	<u>-31,542</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -12,530</u>
Net Change in Cash	\$ -1,450
Cash Balance at December 31, 2005	<u>258,995</u>
Cash Balance at December 31, 2006	<u>\$ 257,545</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2006**

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

Net operating income (loss)	\$ -384,913
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	349,159
Adjustments to equity	0
(Increase) decrease in accounts receivable	-67,554
(Increase) decrease in deferred charges	998
(Increase) decrease in other assets	1,811
Increase (decrease) in accounts payable	64,143
Increase (decrease) in accrued liabilities	22,855
Increase (decrease) in deferred revenues	<u>-1,656</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -15,157</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2006**

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, 2006
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Funds -

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

- * Low Rent Public Housing
- * Capital Fund Program

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

(d) Cash and Cash Equivalents -

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

(e) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2006, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(f) Inventories and Materials -

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

(g) Investments -

Investments are stated at cost which approximates market.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(h) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

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

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(i) Income Tax -

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

(j) Annual Contributions/Subsidies and Other Grants

Annual contributions and subsidies received from the Department of HUD are recorded as grant revenues.

Other grants (such as CFP grants) are recognized when program expenditures are incurred. Such revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

(k) The Housing Authority adopts a budget annually. The budget is submitted to the Department of Housing and Urban Development for approval. Subsequent budget revisions may also be required to be submitted to HUD for approval.

Beginning in 2005, the Housing Authority was to utilize energy performance contract methods as set out in 24CFR 990.107(f)1 and 24CFR 990.110(b)(2)(I) and 990.110(c) when preparing HUD 52723 (Operating Fund Calculation of Operating Subsidy), however, the 2005 budget calculation was prepared under the prior prescribed method (pre-energy performance contract). As a result the operating subsidy approved by HUD and received was \$52,442 underfunded.

The PHA included a request for the underfunded subsidy on the 2006 PFS calculation in Part F, of HUD 52723 (unfunded eligibility in prior fiscal years, adjusted for unfunded amounts due to pro-ration).

(l) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

All cash and investments are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2006
(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>Fund</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ <u>257,545</u>	\$ <u>442,487</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2006
(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>Fund</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	<u>\$ 290,000</u>	<u>\$ 290,000</u>

Note 3 - Compensated Absences

Vacation Leave

(1) Vacation leave with pay shall be earned by all regular full-time employees at the rate of one vacation day for each month of continuous full-time service, but an employee may not begin to use vacation leave accumulated until they have been employed for six (6) months of continuous service. Full time employees will earn vacation days at the following rate per year:

- 1-5 years of continuous service 12 days
- 5-10 years of continuous service 15 days
- 10-15 years of continuous service 20 days
- 15-20 years of continuous service 25 days

The additional days shown after five (5) years of continuous service shall be accrued at the anniversary date of the employee's hiring or beginning date of full-time status.

(2) Employees may accrue vacation leave up to twenty (20) working days.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 3 - Compensated Absences

Vacation Leave (Continued)

- (3) An employee who is permanently separated shall be paid a lump sum for any accumulated vacation leave at his current rate of pay, except where his dismissal is due to malfeasance.
- (4) An employee will be paid for accrued vacation leave not taken in excess of 20 days on the last pay period of the fiscal year.
- (5) Leave for maintenance employees will be determined by the HUD Labor Relations section.

Sick Leave

- (1) Employees may be paid for leave taken because of illness. Sick leave shall be accumulated at the rate of one day per month.
- (2) Sick leave may be accumulated not to exceed twelve (12) days.
- (3) In no event shall an employee be paid for sick 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 \$14,415 in the fiscal year ending December 31, 2006.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable (net)	\$ 2,318
Accounts receivable - HUD	<u>59,776</u>
Subtotal	\$ 62,094
Interfund	<u>8,110</u>
Total	<u>\$ 70,204</u>

Note 6 - Investments

At December 31, 2006 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificate of Deposit	Variable	<u>\$ 290,000</u>	<u>\$ 290,000</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 499</u>
-------------------	---------------

Note 8 - Fixed Assets

Balance as of December 31, 2006	\$ 4,955,389
Balance as of December 31, 2005	<u>4,912,424</u>
Net Increase (Decrease)	<u>\$ 42,965</u>

Reconciliation

Property betterments and additions	\$ 441,631
Dispositions	-49,507
Current year depreciation expense	<u>-349,159</u>
Net Increase (Decrease)	<u>\$ 42,965</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 8 - Fixed Assets (Continued)

<u>Analysis</u>	01/01/2006 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	12/31/2006 <u>Balance</u>
Land	\$ 826,661	\$ 0	\$ 0	\$ 826,661
Buildings	4,283,465	0	0	4,283,465
Equipment and furniture	451,107	8,867	239,066	220,908
Leasehold improvements	3,269,071	518,639	0	3,787,710
Construction in progress	<u>201,605</u>	<u>0</u>	<u>80,632</u>	<u>120,973</u>
Total	\$ 9,031,909	\$ 527,506	\$ 319,698	\$ 9,239,717
Accumulated depreciation	<u>-4,119,485</u>	<u>184,316</u>	<u>349,159</u>	<u>-4,284,328</u>
Total	<u>\$ 4,912,424</u>	<u>\$ 711,822</u>	<u>\$ 668,857</u>	<u>\$ 4,955,389</u>

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 74,631
Tenants security deposits	20,375
Payroll withholding	<u>2,046</u>
Subtotal	\$ 97,052
Interfund	<u>8,110</u>
Total	<u>\$ 105,162</u>

Note 10 - Notes Payable- HUD

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

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

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

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:	
Accrued compensated absences	\$ 3,931
Payment in lieu of taxes	<u>47,588</u>
Total Current Portion:	\$ 51,519
Accrued compensated absences	<u>4,220</u>
Total	<u>\$ 55,739</u>

Note 12 - Deferred Revenue

This classification consists of the following accounts:

Other	<u>\$ 17</u>
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Note 13 - Long Term Debt

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

<u>Lender</u>	<u>Rate</u>	<u>Due Date</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Fifth Third Bank	5.0%	04/01/15	<u>\$ 33,129</u>	<u>\$ 295,637</u>	<u>\$ 328,766</u>

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

<u>Due Fiscal Year Ending</u>	<u>Principal</u>
2007	\$ 33,129
2008	34,796
2009	36,548
2010	38,387
2011	40,319
Thereafter	145,587

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2006
(CONTINUED)**

Note 14 - Allocation of Costs

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

Note 15 - 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 16 - 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 17 - Economic Dependency

The Housing Authority received most of its revenue (72%) 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, 2006**

<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*	14.850	IN039	FYE 12/31/06	\$ <u>357,244</u>	\$ <u>357,244</u>	\$ <u>357,244</u>
Public Housing - Capital Fund*	14.872	IN039	FYE 12/31/06	\$ <u>781,746</u>	\$ <u>428,359</u>	\$ <u>428,359</u>
Total Housing Assistance				\$ <u>1,138,990</u>	\$ <u>785,603</u>	\$ <u>785,603</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED DECEMBER 31, 2006**

Note 1: Expenditures to the Housing Choice Voucher Program are reported equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2006**

<u>ASSETS</u>	<u>Low Rent</u>	<u>Capital Funds</u>
CURRENT ASSETS		
Cash	\$ 257,545	\$ 0
Accounts receivable	10,428	59,776
Investments	290,000	0
Inventory	19,881	0
Deferred charges	499	0
	<hr/>	<hr/>
Total Current Assets	\$ 578,353	\$ 59,776
CAPITAL ASSETS		
Land, buildings and equipment	\$ 8,604,510	\$ 635,207
Less: Accumulated depreciation	-4,280,721	-3,607
	<hr/>	<hr/>
Net Capital Assets	\$ 4,323,789	\$ 631,600
	<hr/>	<hr/>
Total Assets	\$ 4,902,142	\$ 691,376
 <u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 45,386	\$ 59,776
Notes payable	33,129	0
Accrued liabilities	51,519	0
Deferred revenues	17	0
	<hr/>	<hr/>
Total Current Liabilities	\$ 130,051	\$ 59,776
LONG TERM LIABILITIES		
Accrued compensated absences	\$ 4,220	\$ 0
Notes payable	295,637	0
	<hr/>	<hr/>
Total Long Term Liabilities	\$ 299,857	\$ 0
 <u>NET ASSETS</u>		
Invested in capital assets	\$ 3,995,023	\$ 631,600
Unrestricted	477,211	0
	<hr/>	<hr/>
Total Net Assets	\$ 4,472,234	\$ 631,600
	<hr/>	<hr/>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES
TWELVE MONTHS ENDED DECEMBER 31, 2006**

<u>Operating Income</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Tenant rental revenue	\$ 327,649	\$ 0
Tenant revenue - other	<u>7,623</u>	<u>0</u>
Total Rental Revenue	\$ 335,272	\$ 0
HUD grants - operating	357,244	0
Gain/loss on sale of fixed assets	-47,456	0
Other revenue	<u>4,349</u>	<u>0</u>
Total Operating Income	\$ 649,409	\$ 0
 <u>Operating Expenses</u>		
Administration	\$ 210,318	\$ 0
Tenant services	35,432	0
Utilities	99,923	0
Ordinary maintenance and operation	234,373	0
General expense	75,729	0
Extraordinary maintenance	29,388	0
Depreciation	<u>346,076</u>	<u>3,083</u>
Total Operating Expenses	\$ 1,031,239	\$ 3,083
Net Operating Income (Loss)	\$ -381,830	\$ -3,083
 <u>Nonoperating Income (Expense)</u>		
HUD grants - capital	\$ 0	\$ 428,359
Interest expense	-17,223	0
Interest income	<u>11,916</u>	<u>0</u>
Total Nonoperating Income (Expense)	\$ -5,307	\$ 428,359
Changes in Net Assets	<u>\$ -387,137</u>	<u>\$ 425,276</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**CHANGES IN NET ASSETS
TWELVE MONTHS ENDED DECEMBER 31, 2006**

<u>Invested in Capital Assets</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Balance at December 31, 2005	\$ 4,345,792	\$ 206,324
Current year net income (loss)	<u>-350,769</u>	<u>425,276</u>
Balance at December 31, 2006	<u>\$ 3,995,023</u>	<u>\$ 631,600</u>
 <u>Unrestricted Net Assets</u>		
Balance at December 31, 2005	\$ 513,579	\$ 0
Current year net income (loss)	<u>-36,368</u>	<u>0</u>
Balance at December 31, 2006	<u>\$ 477,211</u>	<u>\$ 0</u>
Total Net Assets	<u>\$ 4,472,234</u>	<u>\$ 631,600</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED DECEMBER 31, 2006**

<u>Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Operating grants	\$ 357,244	\$ -58,326
Tenant revenue	333,254	0
Other revenue	-43,107	0
Payments to employees	-239,214	0
Payments to suppliers and contractors	<u>-423,334</u>	<u>58,326</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -15,157</u>	<u>\$ 0</u>
 <u>Investing Activities</u>		
Investments (purchased) redeemed	\$ 14,321	\$ 0
Interest income	<u>11,916</u>	<u>0</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 26,237</u>	<u>\$ 0</u>
 <u>Capital and Related Financing Activities</u>		
HUD grants - capital	\$ 0	\$ 428,359
(Additions) deletions to fixed assets	36,235	-428,359
Interest expense	-17,223	0
Retirement of debt	<u>-31,542</u>	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -12,530</u>	<u>\$ 0</u>
Net Change in Cash	\$ -1,450	\$ 0
Cash Balance at December 31, 2005	<u>258,995</u>	<u>0</u>
Cash Balance at December 31, 2006	<u>\$ 257,545</u>	<u>\$ 0</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED DECEMBER 31, 2006**

Reconciliation of Operating Income (Loss) to Net Cash

<u>Provided (Used) by Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Net operating income (loss)	\$ -381,830	\$ -3,083
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	346,076	3,083
Adjustments to net assets	0	0
(Increase) decrease in accounts receivable	-9,228	-58,326
(Increase) decrease in deferred charges	998	0
(Increase) decrease in other assets	1,811	0
Increase (decrease) in accounts payable	5,817	58,326
Increase (decrease) in accrued liabilities	22,855	0
Increase (decrease) in deferred revenues	<u>-1,656</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -15,157</u>	<u>\$ 0</u>

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P039501-04**

1. The Actual Modernization Costs of Phase IN36P039501-04 are as follows:

Funds approved	\$ 283,209
Funds expended	<u>283,209</u>
Excess of Funds Approved	<u>\$ 0</u>
Funds advanced	
Project notes, non-HUD	\$ 283,209
Funds expended	<u>283,209</u>
Excess of Funds Advanced	<u>\$ 0</u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated September 21, 2006, 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.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P039501-05**

1. The Actual Modernization Costs of Phase IN36P039501-05 are as follows:

Funds approved	\$ 261,025
Funds expended	<u>261,025</u>
Excess of Funds Approved	<u>\$ 0</u>
Funds advanced	
Project notes, non-HUD	\$ 261,025
Funds expended	<u>261,025</u>
Excess of Funds Advanced	<u>\$ 0</u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated December 21, 2006, 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 Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Commissioners
Angola Housing Authority
Angola, Indiana

I have audited the financial statements of the Angola Housing Authority as of and for the year ended December 31, 2006, and have issued my report thereon dated September 13, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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 13, 2007.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Angola Housing Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

Decatur, Illinois
September 13, 2007


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, 2006. 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, 2006.

Internal Control Over Compliance

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

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

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

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Angola Housing Authority in a separate letter dated September 13, 2007.

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

Decatur, Illinois
September 13, 2007


Certified Public Accountant

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2006**

Summary of Auditor's Results

Low Risk Auditee X yes no

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? yes X no
 * Reportable condition(s) 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
 * Reportable condition(s) identified that are not
 considered to be material weaknesses? yes X none
 reported

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

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

Major Programs: (Threshold \$300,000)

CFDA Number(s)

Public and Indian Housing
 Capital Funds Program

14.850
 14.872

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2005 contained no findings.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

There were no audit findings discussed with Kris Strawser, Executive Director, during the course of the audit or at an exit conference held September 6, 2007.

**ANGOLA HOUSING AUTHORITY
ANGOLA, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2006**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Interest Energy Loan	2136	\$ 4,159.87		2136
Energy Loan repayment (To reverse JV 2865)	2120.01		\$ 4,159.87	2120.01
(2)				
Accrued compensated absence - ST	2134.01	\$ 2,205.31		2134.01
Accrued compensated absence - LT	2134.02	2,389.09		2134.02
Accrued absence expense	4181		\$ 2,748.96	2806.512
Accrued absence expense	4432		1,845.44	2806.512
(To adjust accrued compensated absences due to PHA's error in calculation at year end)				

PHA: IN039 FYED: 12/31/2006

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$237,170	\$0	\$237,170
114	Cash - Tenant Security Deposits	\$20,375	\$0	\$20,375
100	Total Cash	\$257,545	\$0	\$257,545
122	Accounts Receivable - HUD Other Projects	\$0	\$59,776	\$59,776
126	Accounts Receivable - Tenants - Dwelling Rents	\$2,993	\$0	\$2,993
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$-675	\$0	\$-675
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$2,318	\$59,776	\$62,094
131	Investments - Unrestricted	\$290,000	\$0	\$290,000
142	Prepaid Expenses and Other Assets	\$499	\$0	\$499
143	Inventories	\$19,881	\$0	\$19,881
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0
144	Interprogram Due From	\$8,110	\$0	\$8,110
150	Total Current Assets	\$578,353	\$59,776	\$638,129
161	Land	\$826,661	\$0	\$826,661
162	Buildings	\$4,283,465	\$0	\$4,283,465
164	Furniture, Equipment & Machinery - Administration	\$220,908	\$0	\$220,908
165	Leasehold Improvements	\$3,273,476	\$514,234	\$3,787,710
166	Accumulated Depreciation	\$-4,280,721	\$-3,607	\$-4,284,328
167	Construction In Progress	\$0	\$120,973	\$120,973
160	Total Fixed Assets, Net of Accumulated Depreciation	\$4,323,789	\$631,600	\$4,955,389
180	Total Non-Current Assets	\$4,323,789	\$631,600	\$4,955,389
190	Total Assets	\$4,902,142	\$691,376	\$5,593,518

PHA: IN039 FYED: 12/31/2006

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
312	Accounts Payable <= 90 Days	\$22,965	\$51,666	\$74,631
321	Accrued Wage/Payroll Taxes Payable	\$2,046	\$0	\$2,046
322	Accrued Compensated Absences - Current Portion	\$3,931	\$0	\$3,931
333	Accounts Payable - Other Government	\$47,588	\$0	\$47,588
341	Tenant Security Deposits	\$20,375	\$0	\$20,375
342	Deferred Revenues	\$17	\$0	\$17
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$33,129	\$0	\$33,129
347	Interprogram Due To	\$0	\$8,110	\$8,110
310	Total Current Liabilities	\$130,051	\$59,776	\$189,827
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$295,637	\$0	\$295,637
354	Accrued Compensated Absences - Non Current	\$4,220	\$0	\$4,220
350	Total Noncurrent Liabilities	\$299,857	\$0	\$299,857
300	Total Liabilities	\$429,908	\$59,776	\$489,684
508	Total Contributed Capital	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$3,995,023	\$631,600	\$4,626,623
511	Total Reserved Fund Balance	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$477,211	\$0	\$477,211
513	Total Equity/Net Assets	\$4,472,234	\$631,600	\$5,103,834
600	Total Liabilities and Equity/Net Assets	\$4,902,142	\$691,376	\$5,593,518

PHA: IN039 FYED: 12/31/2006

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$327,649	\$0	\$327,649
704	Tenant Revenue - Other	\$7,623	\$0	\$7,623
705	Total Tenant Revenue	\$335,272	\$0	\$335,272
706	HUD PHA Operating Grants	\$357,244	\$0	\$357,244
706.1	Capital Grants	\$0	\$428,359	\$428,359
711	Investment Income - Unrestricted	\$11,916	\$0	\$11,916
715	Other Revenue	\$4,349	\$0	\$4,349
716	Gain/Loss on Sale of Fixed Assets	\$-47,456	\$0	\$-47,456
700	Total Revenue	\$661,325	\$428,359	\$1,089,684

PHA: IN039 FYED: 12/31/2006

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$118,561	\$0	\$118,561
912	Auditing Fees	\$2,050	\$0	\$2,050
914	Compensated Absences	\$-560	\$0	\$-560
915	Employee Benefit Contributions - Administrative	\$39,289	\$0	\$39,289
916	Other Operating - Administrative	\$50,978	\$0	\$50,978
921	Tenant Services - Salaries	\$23,446	\$0	\$23,446
923	Employee Benefit Contributions - Tenant Services	\$9,466	\$0	\$9,466
924	Tenant Services - Other	\$2,520	\$0	\$2,520
931	Water	\$17,748	\$0	\$17,748
932	Electricity	\$46,213	\$0	\$46,213
933	Gas	\$35,962	\$0	\$35,962
941	Ordinary Maintenance and Operations - Labor	\$92,217	\$0	\$92,217
942	Ordinary Maintenance and Operations - Materials and Other	\$36,644	\$0	\$36,644
943	Ordinary Maintenance and Operations - Contract Costs	\$73,964	\$0	\$73,964
945	Employee Benefit Contributions - Ordinary Maintenance	\$31,548	\$0	\$31,548
961	Insurance Premiums	\$40,679	\$0	\$40,679
962	Other General Expenses	\$9,588	\$0	\$9,588
963	Payments in Lieu of Taxes	\$23,414	\$0	\$23,414
964	Bad Debt - Tenant Rents	\$2,048	\$0	\$2,048
967	Interest Expense	\$17,223	\$0	\$17,223
969	Total Operating Expenses	\$672,998	\$0	\$672,998
970	Excess Operating Revenue over Operating Expenses	\$-11,673	\$428,359	\$416,686
971	Extraordinary Maintenance	\$29,388	\$0	\$29,388
974	Depreciation Expense	\$346,076	\$3,083	\$349,159
900	Total Expenses	\$1,048,462	\$3,083	\$1,051,545
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$-387,137	\$425,276	\$38,139

PHA: IN039 FYED: 12/31/2006

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0
1103	Beginning Equity	\$4,859,371	\$206,324	\$5,065,695
1120	Unit Months Available	2,184	0	2,184
1121	Number of Unit Months Leased	1,843	0	1,843

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