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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, 2009 to December 31, 2009. 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, 2009 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, 2009  
AND  
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

**HOUSING AUTHORITY OF THE CITY OF ANGOLA**  
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**DECEMBER 31, 2009**

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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, 2009, 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, 2009, and the respective changes in financial position, and cash flows, thereof 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 September 1, 2010 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 important for assessing the results of my audit.

Housing Authority of the City of Angola  
Independent Auditor's Report  
Page Two

The management's discussion and analysis comparison information on pages 3 through 9, are not a required part of the basic financial statements but are 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 required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Housing Authority of the City of Angola, Indiana's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic 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 basic financial statements of the Housing Authority of the City of Angola, Indiana. The schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Barry E. Gaudette, CPA, PC*

September 1, 2010

**Housing Authority of the City of Angola**  
**Management's Discussion and Analysis (MD&A)**  
**December 31, 2009**  
**(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, 2009. The Angola Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2009, 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 183 dwelling units. 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.

**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:

- *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.

**Housing Authority of the City of Angola**  
**Management's Discussion and Analysis (MD&A)**  
**December 31, 2009**  
**(Continued)**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

- *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 basically 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, 2009 to determine the change in net assets for the fiscal year.

**The Statement of Cash Flows** report 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, 2009.

**FINANCIAL HIGHLIGHTS**

- The Angola Housing Authority's total net assets decreased from \$4,946,629 to \$4,849,745 a decrease of \$96,884 or 2%. The total assets increased by \$66,726 or 1%.
- The unrestricted net asset balance is listed as \$577,656 at December 31, 2009. This represents a decrease of \$74,879 or 11% from the previous year.
- Total revenues increased from \$1,057,010 to \$1,057,142 an increase of \$132 or 0%.
- Total expenses increased by \$116,841 from \$1,037,185 to \$1,154,026 for the current year. This represents an increase of 11%.

**HOUSING AUTHORITY ACTIVITIES & HIGHLIGHTS**

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, 2009 and December 31, 2008.

**Housing Authority of the City of Angola**  
**Management's Discussion and Analysis (MD&A)**  
**December 31, 2009**  
**(Continued)**

**HOUSING AUTHORITY ACTIVITIES & HIGHLIGHTS (CONTINUED)**

**Summary Statement of Net Assets**

| <u>Category</u>            | <u>FYE 2009</u>     | <u>FYE 2008</u>     | <u>Change \$</u>   | <u>Change %</u> |
|----------------------------|---------------------|---------------------|--------------------|-----------------|
| Current and other assets   | \$ 872,187          | \$ 746,908          | \$ 125,279         | 16.8%           |
| Capital assets             | 4,496,382           | 4,554,935           | (58,553)           | (1.3)%          |
| Total Assets               | <u>5,368,569</u>    | <u>5,301,843</u>    | <u>66,726</u>      | 1.3%            |
| Current liabilities        | 332,918             | 130,921             | 201,997            | 154.3%          |
| Noncurrent liabilities     | 185,906             | 224,293             | (38,387)           | (17.1)%         |
| Total Liabilities          | <u>518,824</u>      | <u>355,214</u>      | <u>163,610</u>     | 46.1%           |
| Net Assets:                |                     |                     |                    |                 |
| Invested in capital assets | 4,272,089           | 4,294,094           | (22,005)           | (0.5)%          |
| Unrestricted               | 577,656             | 652,535             | (74,879)           | (11.5)%         |
| Total Net Assets           | <u>\$ 4,849,745</u> | <u>\$ 4,946,629</u> | <u>\$ (96,884)</u> | (2.0)%          |

*Cash & Investments*

Unrestricted cash and investments decreased from \$599,417 to \$514,696 a decrease of \$84,721 from December 31, 2008 to December 31, 2009. This decrease was due to operating expenses over operating revenues by \$39,598 noted in the Low Rent Program for the current year and a 11% increase in the current year spending over the prior year.

*Current Liabilities*

The current liabilities balance increased by \$201,997 from the previous year due primarily to the accrual of current year accounts payable in the amount of \$242,459 as compared to \$21,466 in the prior year.

*Net Assets*

The Authority's total net assets balance decreased \$96,884 from the previous year.

The Authority's unrestricted net assets decreased from \$652,535 to \$577,656, a decrease of \$74,879, or 11% for the current year. The principal reason for the decrease is due to an increase in current year spending over the prior year. The unrestricted net asset account balance is the amount available for future appropriations. This balance is subject to program specific guidelines.

Investment in net fixed assets decreased by \$22,005 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.

**Housing Authority of the City of Angola**  
**Management's Discussion & Analysis (MD&A)**  
**December 31, 2009**  
(Continued)

**OVERVIEW OF THE FINANCIAL STATEMENTS**

*Summary Statement of Revenues & Expenses and Changes in Net Assets*  
*Years Ended December 31, 2009 and 2008*

| <u>Category</u>                 | <u>FYE 2009</u>     | <u>FYE 2008</u>     | <u>Change \$</u>   | <u>Change %</u> |
|---------------------------------|---------------------|---------------------|--------------------|-----------------|
| Tenant Revenue                  | \$ 291,767          | \$ 353,548          | \$ (61,781)        | (17.5)%         |
| Non dwelling rent               | 11,790              | 5,699               | 6,091              | 106.9%          |
| Total PHA generated Revenue     | 303,557             | 359,247             | (55,690)           | (15.5)%         |
| HUD operating grants            | 429,997             | 452,341             | (22,344)           | (4.9)%          |
| Capital contributions           | 311,267             | 221,740             | 89,527             | 40.4%           |
| Other income                    | 2,780               | 7,098               | (4,318)            | (60.8)%         |
| Interest income                 | 9,120               | 16,454              | (7,334)            | (44.6)%         |
| Gain on sale of capital assets  | 421                 | 130                 | 291                | 223.8%          |
| <br>                            |                     |                     |                    |                 |
| Total Revenue                   | <u>1,057,142</u>    | <u>1,057,010</u>    | <u>132</u>         | <u>0.0%</u>     |
| <br>                            |                     |                     |                    |                 |
| Administration                  | 254,020             | 220,938             | 33,082             | 15.0%           |
| Tenant services                 | 4,849               | 4,437               | 412                | 9.3%            |
| Utilities                       | 101,038             | 104,456             | (3,418)            | (3.3)%          |
| Operations and maintenance      | 265,573             | 254,545             | 11,028             | 4.3%            |
| General expense                 | 146,776             | 84,288              | 62,488             | 74.1%           |
| Interest expense                | 12,217              | 13,968              | (1,751)            | (12.5)%         |
| Causalty losses                 | 1,000               | 350                 | 650                | 185.7%          |
| Depreciation                    | 368,553             | 354,203             | 14,350             | 4.1%            |
| Total Expenses                  | <u>1,154,026</u>    | <u>1,037,185</u>    | <u>116,841</u>     | <u>11.3%</u>    |
| Excess of Revenue over Expenses | (96,884)            | 19,825              | (116,709)          |                 |
| Net Assets, Beginning of Year   | <u>4,946,629</u>    | <u>4,926,804</u>    | <u>19,825</u>      |                 |
| Net Assets, End of Year         | <u>\$ 4,849,745</u> | <u>\$ 4,946,629</u> | <u>\$ (96,884)</u> |                 |

*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 \$132 during the current fiscal year. Significant changes noted between the current and prior fiscal years include:

- HUD operating grants decreased by \$22,344 from the previous year. Revenue related to operating subsidy had a decrease of \$110,913. Operating revenue related to the Capital Fund Program increased by \$62,054. Operating revenue related to the Capital Fund Program increased by \$62,054. Operating revenue related to the ARRA Stimulus Grant increased by \$26,515.
- Capital grants increased primarily due to increased activity in the Capital Fund Grant Program.

**Housing Authority of the City of Angola  
Management's Discussion and Analysis (MD&A)  
December 31, 2009  
(Continued)**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

- Tenant Revenue had a decrease of \$55,690 from 2008 to 2009. This decrease was primarily due to a decrease in units leased from 1,987 in 2008 to 1,837 in 2009. The decrease in units leased was primarily due to Capital Fund flooring replacement renovations of units as they became vacant. Another factor was the increase in lease enforcement due to a change of management that resulted in a higher than normal rate of move-outs and evictions.

Total expenses increased by \$116,841 compared to the previous year. Significant changes from the previous year included the following:

- Administration increased by \$33,082 as a result of other administrative expenses. Additional administrative costs included new computer system and copy machines from Capital Fund expenditures. Legal fees increased slightly due to additional expenses relating to the high rate of evictions. Staff training costs were larger due to a number of new staff and emphasis on continued training for all staff.
- Ordinary maintenance increased by \$11,028 as a result of higher maintenance contract expenses. The Housing Authority began contracting for lawn and snow removal services, where previously it had been done by maintenance personnel on staff.
- Other General expenses increased by \$62,488 primarily due to the added fees and costs for Architectural and Consultant services from two large construction contracts and the additional ARRA (American Recovery & Reinvestment Act) grant monies.

**CAPITAL ASSETS**

As of December 31, 2009, the Angola Housing Authority's investment in capital assets was \$4,272,089. This investment includes land, building, construction in progress, and equipment net of related debt.

| <u>Category</u>          | <u>FYE 2009</u>     | <u>FYE 2008</u>     | <u>Change \$</u>   | <u>Change %</u> |
|--------------------------|---------------------|---------------------|--------------------|-----------------|
| Land                     | \$ 826,661          | \$ 826,661          | \$ 0               | 0.0%            |
| Buildings                | 8,452,873           | 8,258,664           | 194,209            | 2.4%            |
| Equipment                | 247,138             | 243,998             | 3,140              | 1.3%            |
| Construction in progress | 294,508             | 197,419             | 97,089             | 49.2%           |
| Accumulated depreciation | (5,324,798)         | (4,971,807)         | (352,991)          | (7.1)%          |
| Total Net Fixed Assets   | <u>\$ 4,496,382</u> | <u>\$ 4,554,935</u> | <u>\$ (58,553)</u> | <u>(1.3)%</u>   |

**Housing Authority of the City of Angola  
Management's Discussion and Analysis (MD&A)  
December 31, 2009  
(Continued)**

**CAPITAL ASSETS (CONTINUED)**

The addition to the building account is a result of hard costing Construction in Progress for Building Improvements from the Capital Fund Program.

The change in the construction in progress account is due to the addition of building improvements utilizing the Capital Fund Grant Program and the Capital Fund Recovery Grant.

**LONG TERM DEBT**

At December 31, 2009, the Housing Authority had \$224,293 in energy saving project debt payable outstanding versus \$260,841 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>      |
|-----------------|-------------|-----------------|------------------------|--------------------------|-------------------|
| FifthThird Bank | 5.0%        | 04/01/15        | <u>\$ 38,387</u>       | <u>\$ 185,906</u>        | <u>\$ 224,293</u> |

**SUBSEQUENT EVENT**

The 2009 CFRG (Capital Fund Recovery Grant) money was 100% obligated and expended well within the limited requirements. The 2008 and 2009 Capital Fund Projects are nearly complete. The 2010 CFP contracts include possible landscaping, porch, siding, and storage shed replacement. Long term projects include window and roof replacement and conversion of small apartments.

All contracts are contingent on the uncertainty of the level of funding available from the Department of Housing and Urban Development. The Department has a history of prorating operating subsidy and there is a current initiative to transform rental assistance in its current form that will have a huge impact on future funding of Capital Funds. Economic factors such as supply and demand, wage rates, inflation, and recession effect not only contracting but employment trends and resident incomes which can result in the amount of rental income and increase vacancy rates.

**Housing Authority of the City of Angola  
Management's Discussion and Analysis (MD&A)  
December 31, 2009  
(Continued)**

**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, Indiana 46703

## **FINANCIAL STATEMENTS**

**Housing Authority of the City of Angola**  
**Statement of Net Assets**  
**December 31, 2009**

**ASSETS**

Current Assets:

|                                   |            |
|-----------------------------------|------------|
| Cash and cash equivalents         | \$ 514,696 |
| Receivables, net                  | 321,693    |
| Prepaid expenses and other assets | 4,372      |
| Inventories, net                  | 31,426     |
| Total Current Assets              | 872,187    |

Capital Assets:

|                                |             |
|--------------------------------|-------------|
| Land                           | 826,661     |
| Buildings                      | 7,808,927   |
| Equipment                      | 247,138     |
| Building improvements          | 643,946     |
| Construction in progress       | 294,508     |
|                                | 9,821,180   |
| Less: accumulated depreciation | (5,324,798) |
| Net Capital Assets             | 4,496,382   |

|              |              |
|--------------|--------------|
| Total Assets | \$ 5,368,569 |
|--------------|--------------|

**LIABILITIES and NET ASSETS**

Current Liabilities:

|                                   |            |
|-----------------------------------|------------|
| Accounts payable                  | \$ 262,069 |
| Tenant security deposit liability | 21,055     |
| Accrued expenses                  | 10,729     |
| Deferred revenues                 | 678        |
| Current portion of long-term debt | 38,387     |
| Total Current Liabilities         | 332,918    |

Noncurrent Liabilities:

|                                |         |
|--------------------------------|---------|
| Long-term debt, net of current | 185,906 |
|--------------------------------|---------|

|                   |         |
|-------------------|---------|
| Total Liabilities | 518,824 |
|-------------------|---------|

Net Assets:

|                            |           |
|----------------------------|-----------|
| Invested in capital assets | 4,272,089 |
| Unrestricted net assets    | 577,656   |
| Total Net Assets           | 4,849,745 |

|                                  |              |
|----------------------------------|--------------|
| Total Liabilities and Net Assets | \$ 5,368,569 |
|----------------------------------|--------------|

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, 2009**

|  |                            |
|--|----------------------------|
| <b>OPERATING REVENUES:</b>               |                            |
| Dwelling rent                            | \$ 291,767                 |
| Non dwelling rents                       | 11,790                     |
| Operating grants                         | <u>429,997</u>             |
| Total operating revenues                 | <u>733,554</u>             |
| <b>OPERATING EXPENSES:</b>               |                            |
| Administration                           | 254,020                    |
| Tenant services                          | 4,849                      |
| Utilities                                | 101,038                    |
| Ordinary maintenance and operation       | 248,329                    |
| Insurance                                | 38,701                     |
| General expenses                         | 108,075                    |
| Extraordinary maintenance                | 17,244                     |
| Casualty losses                          | 1,000                      |
| Depreciation                             | <u>368,553</u>             |
| Total operating expenses                 | <u>1,141,809</u>           |
| Operating income (loss)                  | <u>(408,255)</u>           |
| <b>NONOPERATING REVENUES (EXPENSES):</b> |                            |
| Investment interest income               | 9,120                      |
| Interest expense                         | (12,217)                   |
| Other income                             | 2,780                      |
| Gain on sale of capital assets           | <u>421</u>                 |
| Total non operating revenues             | <u>104</u>                 |
| Income (loss) before contributions       | (408,151)                  |
| <b>CAPITAL CONTRIBUTIONS</b>             | <u>311,267</u>             |
| Change in net assets                     | (96,884)                   |
| Net assets, beginning                    | <u>4,946,629</u>           |
| Net assets, ending                       | <u><u>\$ 4,849,745</u></u> |

See notes to financial statements

**Housing Authority of the City of Angola**  
**Statement of Cash Flows**  
**Year Ended December 31, 2009**

|   |                          |
|---|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                |                          |
| Cash received from dwelling and non dwelling rents          | \$ 307,252               |
| Cash received from operating grants                         | 429,997                  |
| Cash payments to other suppliers of goods and services      | (387,861)                |
| Cash payments to employees for services                     | (321,662)                |
| Cash payments for in lieu of taxes                          | <u>(25,431)</u>          |
| Net cash provided by operating activities                   | <u>2,295</u>             |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>     |                          |
| Tenant security deposits                                    | (5,496)                  |
| Other revenue   | <u>2,780</u>             |
| Net cash (used) by noncapital financing activities          | <u>(2,716)</u>           |
| <b>CASH FLOW FROM CAPITAL AND RELATED FINANCING</b>         |                          |
| Gain on sale of capital assets                              | 421                      |
| Capital grants  | 264,924                  |
| Payments for capital acquisitions                           | (310,000)                |
| Interest expense  | (12,217)                 |
| Principal payments on long-term debt                        | <u>(36,548)</u>          |
| Net cash (used) by capital and related financing activities | <u>(93,420)</u>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                |                          |
| Investments decreased by                                    | 302,441                  |
| Receipts of interest income                                 | <u>9,120</u>             |
| Net cash provided by investing activities                   | <u>311,561</u>           |
| Net increase (decrease) in cash                             | 217,720                  |
| Cash and cash equivalents, beginning                        | <u>296,976</u>           |
| Cash and cash equivalents, ending                           | <u><u>\$ 514,696</u></u> |

See notes to financial statements

**Housing Authority of the City of Angola**  
**Statement of Cash Flows (Continued)**  
**Year Ended December 31, 2009**

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

|   |              |
|---|--------------|
| Operating income (loss)   | \$ (408,255) |
| Adjustments to reconcile operating (loss) to net cash provided (used) |              |
| By operating activities:  |              |
| Depreciation  | 368,553      |
| Bad debt allowance adjustment   | (1,043)      |
| Changes in assets and liabilities:                                    |              |
| (Increase) decrease in assets:  |              |
| Accounts receivable-tenants   | 3,707        |
| Prepaid expenses  | (3,169)      |
| Inventories   | 806          |
| Increase (decrease) in liabilities:                                   |              |
| Accounts payable  | 57,035       |
| Accrued wages/payroll taxes payable                                   | (11,289)     |
| Accrued compensated absences  | 1,783        |
| Accounts payable-PILOT  | (5,821)      |
| Deferred revenues   | (12)         |
|   | 2,295        |
| Net cash provided by operating activities                             | \$ 2,295     |

See notes to financial statements

**Housing Authority of the City of Angola**  
**Notes to Financial Statements**  
**December 31, 2009**

**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 |
|---------------------|-------------------|

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:

| <b>Program</b>       | <b>Brief Description</b>   |
|----------------------|--|
| 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:

| <b>Program</b>                    | <b>Required By</b>     |
|-----------------------------------|------------------------|
| 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><br>Capital Fund Program | <i>Legal Restrictions of Use</i><br>Modernization |
|---|---|

For the year ended December 31, 2009, 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, 2009. 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<br>Bank<br>Balance | Custody Credit Risk |               |               | Total<br>Carrying<br>Value |
|-----------------------------|--------------------------|---------------------|---------------|---------------|----------------------------|
|                             |                          | Category<br>1       | Category<br>2 | Category<br>3 |                            |
| Demand<br>deposits          | \$ 49,997                | \$ 49,997           | \$ 0          | \$ 0          | \$ 22,652                  |
| Sweep<br>account            | 184,055                  | 184,055             | 0             | 0             | 184,055                    |
| Money market<br>account     | 953                      | 953                 | 0             | 0             | 953                        |
| Certificates<br>of deposits | 306,886                  | 306,886             | 0             | 0             | 306,886                    |
|                             | <u>\$ 541,891</u>        | <u>\$ 541,891</u>   | <u>\$ 0</u>   | <u>\$ 0</u>   | <u>\$ 514,546</u>          |

### 3(a) Cash and Investments (Continued)

#### Investments

The Housing Authority does not have any investments.

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

|                             |    |                |
|-----------------------------|----|----------------|
| Cash on hand                | \$ | 150            |
| Carrying amount of deposits |    | 514,546        |
| Investments                 |    | 0              |
| Total                       | \$ | <u>514,696</u> |

|  |    |                |
|--|----|----------------|
| Cash and investments:  |    |                |
| Enterprise activities  | \$ | 542,041        |
| Enterprise activities – deposits in transit                  |    | 0              |
| Enterprise activities – checks written in excess of deposits |    | (27,345)       |
| Total  | \$ | <u>514,696</u> |

#### 3(b) Receivables

Receivables detail at December 31, 2009, is as follows:

|                                       |    |                |
|---------------------------------------|----|----------------|
| Accounts receivable-HUD-capital funds | \$ | 318,125        |
| Tenant accounts receivable            |    | 4,868          |
| Allowance for doubtful accounts       |    | (1,300)        |
|                                       | \$ | <u>321,693</u> |

#### 3(c) Prepaid Expenses and Other Assets

Prepaid detail at December 31, 2009, is as follows:

|                   |    |              |
|-------------------|----|--------------|
| Prepaid insurance | \$ | <u>4,372</u> |
|-------------------|----|--------------|

### 3(d) Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

|   | <u>Balance<br/>12/31/08</u> | <u>Additions/<br/>Transfers</u> | <u>Retirements/<br/>Transfers</u> | <u>Balance<br/>12/31/09</u> |
|---|-----------------------------|---------------------------------|-----------------------------------|-----------------------------|
| <b>Low Rent Program</b>                                 |                             |                                 |                                   |                             |
| Land  | \$ 826,661                  | \$ 0                            | \$ 0                              | \$ 826,661                  |
| Buildings   | 7,638,475                   | 170,452                         | 0                                 | 7,808,927                   |
| Furniture, equipment<br>& machinery -<br>administration | 243,998                     | 19,970                          | (16,830)                          | 247,138                     |
| Building improvements                                   | 620,189                     | 23,757                          | 0                                 | 643,946                     |
| Construction in progress                                | 197,419                     | 97,089                          | 0                                 | 294,508                     |
|   | <u>9,526,742</u>            | <u>\$ 311,268</u>               | <u>\$ (16,830)</u>                | <u>9,821,180</u>            |
| Less accumulated<br>depreciation                        | <u>(4,971,807)</u>          | <u>\$ (368,553)</u>             | <u>\$ 15,562</u>                  | <u>(5,324,798)</u>          |
| Total   | <u>\$ 4,554,935</u>         |                                 |                                   | <u>\$ 4,496,382</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, 2009, is as follows:

|   |                   |
|---|-------------------|
| Accounts payable-trade                  | \$ 78,501         |
| Accounts payable-HUD                    | 163,958           |
| Accounts payable-other government-PILOT | 19,610            |
|   | <u>\$ 262,069</u> |

### 3(f) Accrued Expenses

Accrued expense detail at December 31, 2009, is as follows:

|                                     |                  |
|-------------------------------------|------------------|
| Accrued wages/payroll taxes payable | \$ 1,976         |
| Accrued compensated absences        | 8,753            |
|                                     | <u>\$ 10,729</u> |

### 3(g) Deferred Revenue

Deferred revenue detail at December 31, 2009, is as follows:

|                     |               |
|---------------------|---------------|
| Tenant prepaid rent | \$ 661        |
| Roof settlement     | 17            |
|                     | <u>\$ 678</u> |

### 3(h) Inter program Transactions and Balance

#### *Equity Transfers*

There was an equity transfer of \$163,958 from the stimulus grant to the Low Rent Program.

#### *Operating Transfers*

There was an operating transfer of \$41,571 from the capital fund program to the low rent program during the fiscal year ended December 31, 2009.

#### *Inter program Receivable/Payable*

There was an interprogram receivable and payable of \$13,035 from the Capital Fund program to the Low Rent program.

### 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>\$ 38,387</u>       | <u>\$ 185,906</u>        | <u>\$ 224,293</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> |
|-------------------------------|------------------|-----------------|
| 2010                          | \$ 38,387        | \$ 10,377       |
| 2011                          | 39,827           | 8,937           |
| 2012                          | 41,831           | 6,932           |
| 2013                          | 43,937           | 4,828           |
| 2014                          | 46,147           | 2,616           |
| Thereafter                    | 14,164           | 177             |

## 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 \$14,106 in the fiscal year ending December 31, 2009.

### 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, 2009, the Housing Authority had the following pending construction projects in progress:

|           | <b>Funds<br/>Approved</b> | <b>Funds Expended -<br/>Project to Date</b> |
|-----------|---------------------------|---|
| 2008 CFP  | \$ 256,751                | \$ 7,844                                    |
| 2009 CFP  | 262,138                   | 0   |
| 2009 CFRG | 324,996                   | 13,480                                      |

### 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, 2009**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Fiscal<br>Year | Federal Grantor   | CFDA<br>No. | Expenditures      |
|----------------|---|-------------|-------------------|
|                | <u>U.S. Department of HUD</u>                                   |             |                   |
|                | <u>Public and Indian Housing<br/>Major – Direct Program</u>     |             |                   |
| 2009           | Low Rent Public Housing   | 14.850      | \$ 326,428        |
|                | <u>Public and Indian Housing<br/>Major – Direct Program</u>     |             |                   |
| 2009           | Capital Fund Program  | 14.872      | 224,363           |
|                | <u>Public and Indian Housing<br/>Non-major – Direct Program</u> |             |                   |
| 2009           | Formula Capital Fund Stimulus Grant                             | 14.885      | <u>190,473</u>    |
|                | Total   |             | <u>\$ 741,264</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, 2009**

| FDS<br>Line<br>Item<br>No. |   | Low<br>Rent<br>Program |
|----------------------------|---|------------------------|
|                            | <b>ASSETS</b>                                   |                        |
|                            | Current assets:                                 |                        |
| 111                        | Cash-unrestricted                               | \$ 493,641             |
| 114                        | Cash-tenant security deposit                    | 21,055                 |
| 100                        | Total cash                                      | <u>514,696</u>         |
|                            | Receivables:                                    |                        |
| 122                        | Accounts receivable-HUD-capital fund            | 141,132                |
| 126                        | Accounts receivable-tenants                     | 4,868                  |
| 126.1                      | Allowance for doubtful accounts                 | (1,300)                |
| 120                        | Total receivables, net                          | <u>144,700</u>         |
|                            | Other Current Assets:                           |                        |
| 142                        | Prepaid expenses                                | 4,372                  |
| 143                        | Inventories                                     | 32,769                 |
| 143.1                      | Allowance for obsolete inventories              | (1,343)                |
| 144                        | Inter program due from                          | 13,035                 |
| 150                        | Total current assets                            | <u>708,229</u>         |
|                            | Noncurrent Assets:                              |                        |
|                            | Fixed Assets:                                   |                        |
| 161                        | Land  | 826,661                |
| 162                        | Buildings                                       | 7,808,927              |
| 164                        | Furniture, equipment & machinery-administration | 247,138                |
| 165                        | Building improvements                           | 643,946                |
| 166                        | Accumulated depreciation                        | (5,324,798)            |
| 167                        | Construction in progress                        | 294,508                |
| 160                        | Total fixed assets, net                         | <u>4,496,382</u>       |
| 180                        | Total non-current assets                        | <u>4,496,382</u>       |
| 190                        | Total Assets                                    | <u>\$ 5,204,611</u>    |

| Public Housing<br>Capital Fund<br>Program<br>14.872 | Formula<br>Capital Fund<br>Stimulus Grant<br>14.885 | Totals              |
|---|---|---------------------|
| \$ 0  | \$ 0  | \$ 493,641          |
| <u>0</u>  | <u>0</u>  | <u>21,055</u>       |
| <u>0</u>  | <u>0</u>  | <u>514,696</u>      |
| 0   | 176,993   | 318,125             |
| 0   | 0   | 4,868               |
| <u>0</u>  | <u>0</u>  | <u>(1,300)</u>      |
| <u>0</u>  | <u>176,993</u>                                      | <u>321,693</u>      |
| 0   | 0   | 4,372               |
| 0   | 0   | 32,769              |
| <u>0</u>  | <u>0</u>  | <u>(1,343)</u>      |
| <u>0</u>  | <u>0</u>  | <u>13,035</u>       |
| <u>0</u>  | <u>176,993</u>                                      | <u>885,222</u>      |
| 0   | 0   | 826,661             |
| 0   | 0   | 7,808,927           |
| 0   | 0   | 247,138             |
| 0   | 0   | 643,946             |
| <u>0</u>  | <u>0</u>  | <u>(5,324,798)</u>  |
| <u>0</u>  | <u>0</u>  | <u>294,508</u>      |
| <u>0</u>  | <u>0</u>  | <u>4,496,382</u>    |
| <u>0</u>  | <u>0</u>  | <u>4,496,382</u>    |
| <u>\$ 0</u>   | <u>\$ 176,993</u>                                   | <u>\$ 5,381,604</u> |

**Housing Authority of the City of Angola**  
**Financial Data Schedule**  
(Continued)  
**Year Ended December 31, 2009**

| FDS<br>Line<br>Item<br>No. |                                    | Low<br>Rent<br>Program |
|----------------------------|------------------------------------|------------------------|
|                            | <b>LIABILITIES and NET ASSETS</b>  |                        |
|                            | Liabilities:                       |                        |
|                            | Current liabilities:               |                        |
| 312                        | Accounts payable                   | \$ 78,501              |
| 321                        | Accrued wage/payroll taxes payable | 1,976                  |
| 322                        | Accrued compensated absences       | 8,753                  |
| 333                        | Accounts payable-other government  | 19,610                 |
| 341                        | Tenant security deposits           | 21,055                 |
| 342                        | Deferred revenues                  | 678                    |
| 343                        | Current portion of long-term debt  | 38,387                 |
| 347                        | Inter program due to               | 0                      |
| 310                        | Total current liabilities          | 168,960                |
|                            | Noncurrent liabilities:            |                        |
| 351                        | Long-term debt, net of current     | 185,906                |
| 300                        | Total liabilities                  | 354,866                |
|                            | Net assets:                        |                        |
| 508.1                      | Invested in capital assets         | 4,272,089              |
| 512.1                      | Unrestricted net assets            | 577,656                |
| 513                        | Total net assets                   | 4,849,745              |
|                            | Total Liabilities and Net Assets   | \$ 5,204,611           |

| Public Housing<br>Capital Fund<br>Program<br>14.872 | Formula<br>Capital Fund<br>Stimulus Grant<br>14.885 | Totals              |
|---|---|---------------------|
| \$ 0  | \$ 163,958  | \$ 242,459          |
| 0   | 0   | 1,976               |
| 0   | 0   | 8,753               |
| 0   | 0   | 19,610              |
| 0   | 0   | 21,055              |
| 0   | 0   | 678                 |
| 0   | 0   | 38,387              |
| 0   | 13,035  | 13,035              |
| <u>0</u>  | <u>176,993</u>                                      | <u>345,953</u>      |
| <u>0</u>  | <u>0</u>  | <u>185,906</u>      |
| <u>0</u>  | <u>176,993</u>                                      | <u>531,859</u>      |
| 0   | 0   | 4,272,089           |
| <u>0</u>  | <u>0</u>  | <u>577,656</u>      |
| <u>0</u>  | <u>0</u>  | <u>4,849,745</u>    |
| <u>\$ 0</u>   | <u>\$ 176,993</u>                                   | <u>\$ 5,381,604</u> |

**Housing Authority of the City of Angola**  
**Financial Data Schedule**  
(Continued)  
**Year Ended December 31, 2009**

| FDS<br>Line<br>Item<br>No. |  | Low<br>Rent<br>Program<br>14.850 |
|----------------------------|--|----------------------------------|
|                            | <b>Revenues</b>                        |                                  |
| 70300                      | Net tenant rental revenue              | \$ 291,767                       |
| 70400                      | Tenant revenue-other                   | 11,790                           |
| 70500                      | Total tenant revenue                   | <u>303,557</u>                   |
| 70600                      | HUD PHA operating grants               | 326,428                          |
| 70610                      | Capital grants                         | 0                                |
| 71100                      | Investment income-unrestricted         | 9,120                            |
| 71500                      | Other income                           | 2,780                            |
| 71600                      | Gain or loss on sale of capital assets | 421                              |
| 70000                      | Total revenue                          | <u>642,306</u>                   |
|                            | <b>Expenses</b>                        |                                  |
|                            | Administrative:                        |                                  |
| 91100                      | Administrative salaries                | 124,561                          |
| 91200                      | Auditing fees                          | 3,440                            |
| 91500                      | Employee benefit contributions         | 47,620                           |
| 91600                      | Office expense                         | 11,943                           |
| 91700                      | Legal expense                          | 4,193                            |
| 91800                      | Travel                                 | 2,445                            |
| 91900                      | Other                                  | 59,818                           |
| 91000                      | Total operating-administrative         | <u>254,020</u>                   |
|                            | Tenant Services:                       |                                  |
| 92400                      | Other                                  | <u>4,849</u>                     |
|                            | Utilities:                             |                                  |
| 93100                      | Water                                  | 9,003                            |
| 93200                      | Electricity                            | 45,894                           |
| 93300                      | Gas                                    | 29,790                           |
| 93600                      | Sewer                                  | 16,324                           |
| 93800                      | Other utilities expense                | 27                               |
| 93000                      | Total utilities                        | <u>101,038</u>                   |
|                            | Ordinary maintenance and operations:   |                                  |
| 94100                      | Labor                                  | 92,408                           |
| 94200                      | Materials and other                    | 30,274                           |
| 94300                      | Contracts                              | 79,864                           |
| 94500                      | Employee benefit contribution          | 45,783                           |
| 94000                      | Total maintenance                      | <u>248,329</u>                   |

| Public Housing<br>Capital Fund<br>Program<br>14.872 | Formula<br>Capital Fund<br>Stimulus Grant<br>14.885 | Totals           |
|---|---|------------------|
| \$ 0  | \$ 0  | \$ 291,767       |
| 0   | 0   | 11,790           |
| 0   | 0   | 303,557          |
| 77,054  | 26,515  | 429,997          |
| 147,309   | 163,958   | 311,267          |
| 0   | 0   | 9,120            |
| 0   | 0   | 2,780            |
| 0   | 0   | 421              |
| <u>224,363</u>                                      | <u>190,473</u>                                      | <u>1,057,142</u> |
| 0   | 0   | 124,561          |
| 0   | 0   | 3,440            |
| 0   | 0   | 47,620           |
| 0   | 0   | 11,943           |
| 0   | 0   | 4,193            |
| 0   | 0   | 2,445            |
| 0   | 0   | 59,818           |
| <u>0</u>  | <u>0</u>  | <u>254,020</u>   |
| <u>0</u>  | <u>0</u>  | <u>4,849</u>     |
| 0   | 0   | 9,003            |
| 0   | 0   | 45,894           |
| 0   | 0   | 29,790           |
| 0   | 0   | 16,324           |
| 0   | 0   | 27               |
| <u>0</u>  | <u>0</u>  | <u>101,038</u>   |
| 0   | 0   | 92,408           |
| 0   | 0   | 30,274           |
| 0   | 0   | 79,864           |
| 0   | 0   | 45,783           |
| <u>0</u>  | <u>0</u>  | <u>248,329</u>   |

**Housing Authority of the City of Angola**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended December 31, 2009**

|           |   | Low<br>Rent<br>Program<br>14.850 |
|-----------|---|----------------------------------|
|           | <b>Expenses (continued):</b>                        |                                  |
|           | Insurance:  |                                  |
| 96110     | Property insurance                                  | 28,975                           |
| 96210     | Liability insurance                                 | 2,658                            |
| 96300     | Workmen's compensation                              | 2,195                            |
| 96140     | All other insurance                                 | 4,873                            |
| 96100     | Total insurance premiums                            | 38,701                           |
|           | Other general expenses:                             |                                  |
| 96200     | Other general expenses                              | 21,425                           |
| 96210     | Compensated absences                                | 1,784                            |
| 96300     | Payments in lieu of taxes                           | 19,610                           |
| 96400     | Bad debt-tenant rents                               | 3,258                            |
| 96000     | Total other general expenses                        | 46,077                           |
| 96720     | Interest on notes payable                           | 12,217                           |
| 96700     | Total interest expense                              | 12,217                           |
| 96900     | Total operating expenses                            | 705,231                          |
| 97000     | Excess revenue over operating expenses              | (62,925)                         |
|           | Other expenses:                                     |                                  |
| 97100     | Extraordinary maintenance                           | 17,244                           |
| 97200     | Casualty losses- noncapitalized                     | 1,000                            |
| 97400     | Depreciation expense                                | 368,553                          |
| 90000     | Total expenses                                      | 1,092,028                        |
| 10010     | Operating transfer in                               | 41,571                           |
| 10020     | Operating transfer out                              | 0                                |
| 10100     | Total other financing sources (uses)                | 41,571                           |
| 10000     | Excess (deficiency) of revenue over(under) expenses | (408,151)                        |
| 11030     | Beginning equity                                    | 4,946,629                        |
| 11040-070 | Equity transfer-CFRG                                | 163,958                          |
|           | Ending equity                                       | \$ 4,702,436                     |
| 11190     | Unit months available                               | 2,196                            |
| 11210     | Unit months leased                                  | 1,837                            |

| Public Housing<br>Capital Fund<br>Program<br>14.872 | Formula<br>Capital Fund<br>Stimulus Grant<br>14.885 | Totals       |
|---|---|--------------|
| 0   | 0   | 28,975       |
| 0   | 0   | 2,658        |
| 0   | 0   | 2,195        |
| 0   | 0   | 4,873        |
| 0   | 0   | 38,701       |
| 35,483  | 26,515  | 83,423       |
| 0   | 0   | 1,784        |
| 0   | 0   | 19,610       |
| 0   | 0   | 3,258        |
| 35,483  | 26,515  | 108,075      |
| 0   | 0   | 12,217       |
| 0   | 0   | 12,217       |
| 35,483  | 26,515  | 767,229      |
| 188,880   | 163,958   | 289,913      |
| 0   | 0   | 17,244       |
| 0   | 0   | 1,000        |
| 0   | 0   | 368,553      |
| 35,483  | 26,515  | 1,154,026    |
| 0   | 0   | 41,571       |
| (41,571)  | 0   | (41,571)     |
| (41,571)  | 0   | 0            |
| 147,309   | 163,958   | (96,884)     |
| 0   | 0   | 4,946,629    |
| 0   | (163,958)   | 0            |
| \$ 147,309  | \$ 0  | \$ 4,849,745 |

**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, 2009, which comprise the Housing Authority's basic financial statements and have issued my report thereon dated September 1, 2010. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority's internal control.

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*  
Housing Authority of the City of Angola  
Page Two

**Internal Control Over Financial Reporting (Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Authority's internal control.

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

**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 City of Angola, 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*

September 1, 2010

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

**Compliance**

I have audited the compliance of Housing Authority of the City of Angola, Indiana (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, 2009. The 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 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 requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

### **Internal Control over Compliance**

The 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 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 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.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, the City of Angola, 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*

September 1, 2010

**Housing Authority of the City of Angola**  
**Status of Prior Audit Findings**  
**December 31, 2009**

**Finding 2008-1: Lack of HUD Form 51999**

*Condition and Criteria:* HUD regulations requires that the Housing Authority execute HUD Form 51999 with all financial institutions securing/holding agency funds. The Housing Authority does not have a HUD Form 51999 executed with all depositories. The Housing Authority has executed the HUD Form 51999 with all depositories, therefore, this finding has been **cleared**.

**Housing Authority of the City of Angola  
Schedule of Findings and Questioned Costs  
December 31, 2009**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_Yes   X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_Yes   X  No

Noncompliance material to financial statements noted? \_\_\_\_\_Yes   X  None reported

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_Yes   X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_Yes   X  None reported

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

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

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | <u>Opinion</u> |
|---------------------|---|----------------|
| 14.850              | Low Rent Public Housing Program           | Unqualified    |
| 14.872              | Capital Fund Program                      | Unqualified    |

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

Auditee qualified as low-risk auditee? \_\_\_\_\_Yes   X  No

**Housing Authority of the City of Angola  
Schedule of Findings and Questioned Costs  
(Continued)  
December 31, 2009**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS**

None