



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B46077

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

April 5, 2016

Board of Commissioners  
Kendallville Housing Authority  
240 Angling Road  
Kendallville, IN 46755

We have reviewed the audit report prepared by Goldie Roberts, CPA, Independent Public Accountant, for the period January 1, 2011 to December 31, 2011. 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 Kendallville Housing Authority, as of December 31, 2011 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.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

# HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE

AUDITED FINANCIAL STATEMENTS

Kendallville, Indiana

December 31, 2011

*Jean Sickels*

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120  
812-472-3527

870 Cinderella Court  
Decatur, GA 30033  
404-297-9881



HOUSING AUTHORITY  
OF THE  
CITY OF KENDALLVILLE

Kendallville, Indiana  
DECEMBER 31, 2011

---



TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	i
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	3
Statement of Revenues, Expenses, and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	7
 <u>SUPPLEMENTAL FINANCIAL INFORMATION</u>	
Combining Schedule of Program Net Assets	17
Combining Schedule of Program Revenue, Expenses and Changes In Net Assets	18
Financial Data Schedule	19
 <u>OTHER REPORTS</u>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Schedule of Findings and Responses	26
Summary Schedule of Prior Year Findings	27



# Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Road  
Fredericksburg, Indiana 47120

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City of Kendallville  
903 6<sup>th</sup> Street  
Kendallville, CO 80631

### Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the City of Kendallville ("the Authority") which comprise the statement of net assets as of December 31, 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Kendallville as of December 31, 2011, and the 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.

#### Report on Required Supplementary Information

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

#### Report on Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
Certified Public Accountant

Fredericksburg, Indiana  
August 16, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2011**

This section of the Housing Authority of the City of Kendallville, Indiana's (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on December 31, 2011. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

**FINANCIAL HIGHLIGHTS**

- The term "net assets" refers to the difference between assets and liabilities. The Authority's total net assets as of December 31, 2011 were \$2,388,451. The net assets decreased by \$95,041, a decrease of 3.8% from the prior year.
- Revenues for the Authority were \$684,196 for the year ended December 31, 2011. This was a decrease of \$186,300 or 21.4% from the prior year.
- Expenses for the Authority were \$668,233 for the year ended December 31, 2011. This was a decrease of \$98,564 or 12.9% from the prior year.
- Tenant revenue for the Authority was \$374,933 for the year ended December 31, 2011, an increase of \$4,624 or 1.2% over the prior year. HUD operating grants for the Authority was \$242,973 for the year ended December 31, 2011. This was an increase of \$48,374 or 24.9% over the prior year. HUD capital grants were \$63,766 for the year ended December 31, 2011. This was a decrease of \$245,366 or 79.4% from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

~~This annual report includes this Management Discussion and Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.~~

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2011**

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

*Required Financial Statements*

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

*Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

*HUD Reporting*

HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2011 and is required to be included in the audit reporting package.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
December 31, 2011**

**FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table below, assets exceeded liabilities by \$2,388,451 at the close of the year ended December 31, 2011, down from \$2,483,492 in fiscal year 2010. The decrease in net assets of \$95,041 was due to the reasons noted below.

- Current assets include cash, receivables, prepaid expenses, and inventory. Of the \$14,503 increase in this category, cash decreased \$111,347, receivables increased \$125,400, prepaid expenses increased \$446, and inventory increased \$4.
- Other assets include investment in joint ventures and decreased \$15 from FY 2010.
- Capital assets decreased \$109,891 because current year depreciation exceeded current year capital asset additions. Change in capital assets is explained in section titled "Capital Assets" of this analysis.
- Current liabilities decreased \$362 from FY 2010.

**CONDENSED STATEMENTS OF NET ASSETS**

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>ASSETS</b>				
Current assets	\$ 746,748	\$ 732,245	\$ 14,503	2.0%
Other assets	40,334	40,349	(15)	0.0%
Capital assets, net	<u>1,645,942</u>	<u>1,755,833</u>	<u>(109,891)</u>	-6.3%
<b>TOTAL ASSETS</b>	<u>\$ 2,433,024</u>	<u>\$ 2,528,427</u>	<u>\$ (95,403)</u>	-3.8%
<b>LIABILITIES</b>				
Current liabilities	<u>\$ 44,573</u>	<u>\$ 44,935</u>	<u>\$ (362)</u>	-0.8%
<b>TOTAL LIABILITIES</b>	<u>44,573</u>	<u>44,935</u>	<u>(362)</u>	-0.8%
<b>NET ASSETS</b>				
Invested in capital assets	1,645,942	1,755,833	(109,891)	-6.3%
Restricted	-	47,826	(47,826)	-100.0%
Unrestricted	<u>742,509</u>	<u>679,833</u>	<u>62,676</u>	9.2%
<b>TOTAL NET ASSETS</b>	<u>\$ 2,388,451</u>	<u>\$ 2,483,492</u>	<u>\$ (95,041)</u>	-3.8%

The unrestricted net assets were \$742,509 as of December 31, 2011. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays for next fiscal year. The Authority did not have any net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2011**

**FINANCIAL ANALYSIS (CONTINUED)**

The largest portion of the Authority's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table on the following page, total revenues decreased \$186,300 due to the reasons noted below.

- Tenant revenue increased \$4,624 or 1.2% due to an increase in average rental charge per unit of \$6.75 or 2.8%.
- Of the \$48,374 increase in operating grants, public housing operating subsidy decreased \$12,341, housing choice voucher assistance decreased \$10,723, and capital fund grants used for operating expenditures increased \$71,438.
- Interest earnings increased \$2,090 from FY 2010.
- Capital grants decreased \$245,366 from FY 2010. The Authority is allocated capital fund grants each year as determined by HUD and the amount remains relatively consistent from year to year. HUD capital grant revenues during the year will depend upon timing of projects as outlined in the HUD approved capital grant budget.
- Other revenues decreased \$410 from FY 2010.
- The Authority had a loss on disposal of capital assets of \$37 in FY 2011 and loss on disposal of \$4,425 in FY 2010.

Total expenses decreased \$98,564 due to the reasons noted below.

- Administrative expense decreased \$3,024 or 1.9% from FY 2010 mainly due to a decrease in audit fees of \$4,473.
- Tenant services increased \$1,901 from FY 2010.
- Of the \$2,601 increase in utilities, water increased \$3,968 or 18.8%, electricity increased \$1,626 or 3.6%, and gas decreased \$2,993 or 14.2%.
- Ordinary maintenance decreased \$6,039 or 3.6% primarily due to a decrease in maintenance labor of \$2,942 or 3.7% and a decrease in contracted maintenance services of \$2,686 or 7.0%.
- General expenses were higher in FY 2010 mostly due to a \$76,085 tax levy.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
December 31, 2011**

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS**

	FY 2011	FY 2010	Dollar Change	Percent Change
<b>REVENUES</b>				
Operating - non-operating - capital contributions:				
Tenant revenue	\$ 374,933	\$ 370,309	\$ 4,624	1.2%
HUD PHA operating grants	242,973	194,599	48,374	24.9%
Interest & investment earnings	2,361	271	2,090	771.2%
HUD PHA capital grants	63,766	309,132	(245,366)	-79.4%
Other revenues	200	610	(410)	-67.2%
Gain (loss) on sale of capital assets	(37)	(4,425)	4,388	99.2%
<b>TOTAL REVENUES</b>	<u>684,196</u>	<u>870,496</u>	<u>(186,300)</u>	<u>-21.4%</u>
<b>EXPENSES</b>				
Administrative	159,784	162,808	(3,024)	-1.9%
Tenant services	4,975	3,074	1,901	61.8%
Utilities	90,062	87,461	2,601	3.0%
Ordinary maintenance	163,817	169,856	(6,039)	-3.6%
General expenses	36,010	119,448	(83,438)	-69.9%
Depreciation	193,436	204,188	(10,752)	-5.3%
Housing assistance payments	20,149	19,962	187	0.9%
<b>TOTAL EXPENSES</b>	<u>668,233</u>	<u>766,797</u>	<u>(98,564)</u>	<u>-12.9%</u>
<b>EXCESS BEFORE TRANSFERS</b>	15,963	103,699	(87,736)	
<b>TRANSFERS</b>				
Operating transfers to component unit	<u>111,004</u>	<u>15,446</u>	<u>95,558</u>	
<b>CHANGE IN NET ASSETS</b>	(95,041)	88,253	(183,294)	
<b>NET ASSETS - BEG OF YEAR</b>	<u>2,483,492</u>	<u>2,395,239</u>	<u>88,253</u>	
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,388,451</u>	<u>\$ 2,483,492</u>	<u>\$ (95,041)</u>	

➤ The Authority had a \$10,752 or 5.3% decrease in Depreciation which is the write-off of capital assets over their estimated useful life.

➤ Housing assistance payments increased \$187 or 0.9% from FY 2010.

The Low Rent Public Housing occupancy rate for fiscal year December 31, 2011 was 99.1%, down from 99.4% in FY 2010. The Authority currently has 118 Public Housing units.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2011**

**FINANCIAL ANALYSIS (CONTINUED)**

The Section 8 Voucher occupancy rate for fiscal year December 31, 2011 was 100.0%, up from 94.4% in FY 2010.

**CAPITAL ASSETS**

**Capital Assets** - The Housing Authority of the City of Kendallville, Indiana's investment in capital assets, as of December 31, 2011 amounts to \$1,645,942 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, equipment, construction in progress, and accumulated depreciation.

The total decrease in the Authority's investment in capital assets for the current fiscal year was 6.3% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues were \$83,582 for the year. The Authority has various contract commitments with contractors for the implementation of the HUD capital grants as outlined by the HUD approved Capital Grant Budget. Depreciation charges for the year totaled \$193,436. Additional information on the Authority's capital assets can be found in the notes to the financial statements.

	Beginning	Additions	Depreciation	Disposal	Ending
Capital assets	\$1,755,833	\$83,582	\$(193,436)	\$(37)	\$1,645,942

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2012 Public Housing budget. The user charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on occupied units and approved vacancies, utility consumption and rates, approved add-ons, formula income, and transition funding. The amount of funding is also established and approved by HUD. Formula income is based on rental income from the Authority's rent roll records for the period specified by HUD. Operating expenses are expected to increase by the economy's inflation rate.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to John Sisson, Executive Director, Housing Authority of the City of Kendallville, 240 Angling Road, Kendallville, Indiana 46755; telephone number (260) 347-1091.

**FINANCIAL STATEMENTS**

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ 435,273
Restricted cash and cash equivalents	32,096
Accounts receivable, net	180,450
Investments	90,728
Prepaid expenses	5,438
Inventory	2,763
<b>Total Current Assets</b>	<b><u>746,748</u></b>

Capital Assets

Land and other nondepreciable assets	463,739
Depreciable capital assets, net	1,182,203
<b>Total Capital Assets</b>	<b><u>1,645,942</u></b>

Noncurrent Assets

Investments in joint ventures	40,334
<b>Total Noncurrent Assets</b>	<b><u>40,334</u></b>

**Total Assets**

**2,433,024**

LIABILITIES

Current liabilities

Accounts payable	7,737
Accrued liabilities	4,388
Deferred revenue	352
Payable from restricted cash and cash equivalents:	
Tenants security deposits	32,096
<b>Total Current Liabilities</b>	<b><u>44,573</u></b>

Net Assets

Invested in capital assets	1,645,942
Unrestricted	742,509
<b>Total Net Assets</b>	<b><u>\$ 2,388,451</u></b>

The accompanying notes are an integral part of these financial statements

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
DECEMBER 31, 2011

OPERATING REVENUES

Rental income	\$ 374,933
Other income	200

TOTAL OPERATING REVENUE	375,133
-------------------------	---------

OPERATING EXPENSES

Administrative	159,784
Tenant services	4,975
Utilities	90,062
Ordinary maintenance and operation	163,817
General expense	36,010
Housing assistance payments	20,149
Depreciation expense	193,436

TOTAL OPERATING EXPENSES	668,233
--------------------------	---------

OPERATING INCOME (LOSS)	(293,100)
-------------------------	-----------

NONOPERATING REVENUES (EXPENSES)

Federal operating grants	242,973
Interest income	2,361
Net change in the fair value of investments	(111,004)
Gain on disposal of capital assets	(37)

TOTAL NONOPERATING REVENUES	134,293
-----------------------------	---------

Net income before capital contributions	(158,807)
-----------------------------------------	-----------

CAPITAL CONTRIBUTIONS	63,766
-----------------------	--------

CHANGE IN NET ASSETS	(95,041)
----------------------	----------

TOTAL NET ASSETS - BEGINNING OF YEAR	2,483,492
--------------------------------------	-----------

TOTAL NET ASSETS - END OF YEAR	\$ 2,388,451
--------------------------------	--------------

The accompanying notes are an integral part of these financial statements

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$ 249,637
Payments to vendors	(231,110)
Payments to land lords	(20,149)
Payments to employees	(224,254)
Net Cash Used by Operating Activities	<u>(225,876)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	<u>242,973</u>
Net Cash From Noncapital Financing Activities	<u>242,973</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received	63,766
Loss on disposal of capital assets	(37)
Purchase of capital assets	<u>(83,545)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(19,816)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	2,361
Investment in joint ventures	15
Net decrease in the fair value of investments	(111,004)
Purchase of investments	<u>(1,830)</u>
Net Cash From Investing Activities	<u>(110,458)</u>

Net Increase (Decrease) in Cash and Cash Equivalents (113,177)

Cash - Beginning of year 580,546

Cash - End of year \$ 467,369

Reconciliation of Cash

Unrestricted	\$ 435,273
Restricted	<u>32,096</u>
	\$ <u><u>467,369</u></u>

Continued

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

RECONCILIATION OF OPERATING (LOSS) TO  
NET CASH USED BY OPERATING ACTIVITIES

Operating income (loss)	\$	(293,100)
Adjustments to reconcile net income to net cash		
Provided by operating activities:		
Depreciation		193,436
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		(125,400)
Prepaid expenses		(446)
Inventory		(4)
Increase (Decrease) in:		
Accounts payable		(2,262)
Accrued liabilities		1,996
Deferred revenue		(96)
Net Cash Flows Provided (Used) by Operating Activities	\$	<u>(225,876)</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

NOTE 1 - Summary of Significant Accounting Policies and Organization:

The financial statements of the HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to special purpose governments engaged in business type activities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Organization:** Housing Authority of the City of Kendallville is a public body corporate and politic pursuant to the Laws of the State of Indiana, which was organized to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD) and other Federal Agencies.

**Reporting Entity:**

The entity is a public corporation, legally separate, fiscally independent and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of the City of Kendallville, a primary government. Although it is legally separate from the Housing Authority of the City of Kendallville, the Kendallville Affordable Housing, Inc. is reported as if they were part of the primary government because its sole purpose is to work in conjunction with the Housing Authority to assist with providing housing for low and moderate income individuals and have the same governing boards, accordingly the Kendallville Affordable Housing Inc.'s financial information (component unit) has been blended with the Housing Authority of the City of Kendallville. There are no other component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

**Activities of the Housing Authority:**

At December 31, 2011, the Housing Authority had 133 units in management and was administering other programs as listed below:

<u>Management</u>	
Low-Income Public Housing	118
<u>Lower Income Housing Assistance Program</u>	
Section 8 Housing Choice Vouchers	<u>15</u>
TOTAL ALL PROGRAMS	<u>133</u>
<u>Other Programs</u>	
Capital Fund Programs	
Business Activities	
Component Units	

**Basis of Presentation and Accounting:** In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Continued)

**NOTE 1 - Summary of Significant Accounting Policies and Organization:** (continued)

The Authority's financial statements are accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements as well as FASB Statements and Interpretations, APB Opinions, and ARB's issued on or before, November 30, 1989, unless those pronouncements conflict with or contradicts GASB pronouncements.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following net asset categories:

**Invested in Capital Assets, Net of Related Debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Authority has no debt.

**Restricted:** Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

**Unrestricted:** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

**Budgets:** Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Continued)

**NOTE 1 - Summary of Significant Accounting Policies and Organization:** (continued)

**Cash Equivalents:** Cash equivalents consist principally of checking accounts, savings accounts and certificates of deposit. These are stated at fair value. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

**Interprogram Receivables and Payables:** Interprogram receivables/payables are all current, and are the result of the use of the Business Activities Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all interprogram balances net zero. Offsetting due to/due from balances is eliminated for the financial statement presentation.

**Investments:** Investments are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by HUD. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by the Authority's agent through the State of Indiana's Collateralization Program. It is the Authority's policy that all funds on deposit are collateralized in accordance with both HUD requirements and requirements of the State of Indiana.

**Inventories:** Inventories (consisting of materials and supplies) are valued at cost using the first in, first out (FIFO) method. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. In accordance with the consumption method, inventory is expensed when items are actually placed in service.

**Prepaid Items:** Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid items.

**Restricted Assets:** Certain assets may be classified as restricted assets on the balance sheet because their use is restricted by contracts or agreements with outside third parties and lending institutions.

**Use of Estimates:** The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Capital Assets:**

**a. Book Value:** All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost. Land values were derived from development closeout documentation.

Donated capital assets are recorded at their fair value at the time they are received. Donor imposed restrictions are deemed to expire as the asset depreciates.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

NOTE 1 - Summary of Significant Accounting Policies and Organization: (continued)

Capital Assets: (Continued)

All normal expenses of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

**b. Depreciation:** The cost of buildings and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method.

Depreciation commences on modernization and development additions in the year following completion.

The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings & Improvements	15-40 years
Furniture, Equipment & Machinery	3-10 years

**c. Maintenance and Repairs Expenditures:** Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of \$100 are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

**Compensated Absences:** Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with GASB Standards. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

**Litigation Losses:** The Authority recognizes estimated losses related to litigation in the period in which the occasion giving rise to the loss occurred the loss is probable and the loss is reasonably estimable.

**Annual Contribution Contracts:** Annual Contribution Contracts provide that HUD shall have the Authority to audit and examine the records of public housing authorities. Accordingly, final determination of the Authority's financing and contribution status for the Annual Contribution Contracts is the responsibility of HUD based upon financial reports submitted by the Authority.

**Risk Management:** The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all property and equipment, employee health and accident insurance, general liability, fire and extended coverage, fidelity bond, automobile, and Director and Officers liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

**NOTE 1 - Summary of Significant Accounting Policies and Organization:** (continued)

**Operating Revenues and Expenses:** Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Restricted Assets:** When both restricted and unrestricted resources are available for use, it is the Authorities policy to use unrestricted resources first, then restricted, as they are needed.

**Leasing Activities (as Lessor):** The Authority is the Lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Rental Revenue". Rental Revenue per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions, which impact personal income such as local job availability.

**NOTE 2 - Deposits, Cash and Cash Equivalents and Investments:**

**1. HUD Deposit Restrictions**

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

**2. Risk Disclosures**

**A. Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At December 31, 2011, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

At December 31, 2011, the carrying amount of the Authority's deposits was \$467,369. The deposits are either covered by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third party agents or by a collateralization agreement. Restricted cash consists of tenant security deposits.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

NOTE 2 - Deposits, Cash and Cash Equivalents and Investments: (Continued)

Deposits consist of the following:

Checking accounts	\$ 213,999
Certificates of Deposit	<u>253,370</u>
Total	<u>\$ 467,369</u>

Investments:

The Authority's investments are governed by debt covenants and a Board adopted policy. Allowable investments include: negotiable direct obligations, or the principal and interest of which are unconditionally guaranteed by the United States government; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by United States agencies, provided such obligations are backed by the full faith and credit of the United States Government agencies which are not full faith and credit agencies; repurchase agreements; bankers' acceptances; commercial paper; state and/or local government taxable and tax-exempt debt; and fixed income mutual funds.

The Indiana Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Indiana Investment Board. The SIF is not registered with the Securities and Exchange Commission (SEC), but operates under the statutory authority of Indiana Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the rights to withdraw their funds in total on one day's notice. At December 31, 2011, the market value of the LGIP's assets were substantially equal to the Authority's share as reported above.

Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>	<u>Callable</u>
Investments:				
LGIP	\$ 90,728	NA	Various	NO
Total Investments	<u>\$ 90,728</u>			

---

Total deposits and Investments	<u>\$558,097</u>
--------------------------------	------------------

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

NOTE 3 - Accounts Receivable:

Accounts receivables at December 31, 2011 consist of the following:

HUD	\$ 179,795
Accounts receivable tenants, net of allowance \$322	614
Accrued interest receivable	41
Former Executive Director, net of allowance of \$333,799	0
See NOTE 14	
 Total	 <u>\$ 180,450</u>

NOTE 4 - Prepaid Expenses:

Prepaid Expenses at December 31, 2011 consist of the following:

Prepaid insurance and other prepaid assets	<u>\$ 5,438</u>
--------------------------------------------	-----------------

NOTE 5 - Inventory:

Inventory at December 31, 2011, consist of the following:

Inventory, net of allowance of \$400	<u>\$ 2,763</u>
--------------------------------------	-----------------

NOTE 6 - Capital Assets:

	Beginning Balance 12/31/10	Increases	Decreases	Transfers	Ending Balance 12/31/11
Capital assets, not being depreciated:					
Land	\$ 388,549	\$ 0	\$ ( 0)	\$ 0	\$ 388,549
Construction in Progress	11,423	63,767	0	0	75,190
Total Capital Assets, Not being depreciated	399,972	63,767	( 0)	0	463,739
Capital Assets, being depreciated:					
Buildings & Improvements	5,214,075	10,351	( 0)	0	5,224,426
Furniture, Equipment & Machinery	364,495	9,427	(20,597)	0	353,325
Total Capital Assets, being depreciated	5,578,570	19,778	(20,597)	0	5,577,751
Less Accumulated Depreciation for:					
Buildings & Improvements	( 3,917,043)	(188,395)	0	0	( 4,105,438)
Furniture, Equipment and Machinery	( 305,666)	( 5,041)	20,597	0	( 290,110)
Total Accumulated Depreciation:	( 4,222,709)	(193,436)	20,597	0	( 4,395,548)

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Continued)

NOTE 6 - Capital Assets: (Continued)

Total Capital Assets, being depreciated, net	1,355,861	(173,658)	0	0	1,182,203
Capital Assets, Net	<u>\$ 1,755,833</u>	<u>\$(109,891)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,645,942</u>

Major construction renovation through the Capital Fund Program costs of \$179,795 are yet to be expended under the current programs. HUD has approved funding for the above amount. Depreciation expense for the year ended December 31, 2011, was \$193,436.

NOTE 7 - Investments in Joint Ventures:

Investments at December 31, 2011 consist of the following:

Partnership Kendallville limited partnership.	<u>\$ 40,334</u>
-----------------------------------------------	------------------

The Housing Authority's nonprofit organization Kendallville Affordable Housing, Inc, entered into a limited partnership (Lamplighter II, Limited Partnership) agreement for the purpose of constructing and managing a 24-unit complex of one and two bedroom units. The partnership has received tax credits from the State of Indiana. The Nonprofit organization holds a 1% general partnership interest, with the remaining 99% limited partnership interests held by unrelated investors. The partnership interest is recorded on the equity basis.

NOTE 8 - Accounts Payable:

Accounts payable at December 31, 2011 consist of the following:

Vendors' Accounts Payable	\$ 7,357
Accounts payable - HUD	<u>380</u>
Total	<u>\$ 7,737</u>

NOTE 9 - Accrued Liabilities:

Accrued liabilities at December 31, 2011, consist of the following:

Accrued wages	<u>\$ 4,388</u>
---------------	-----------------

NOTE 10 - Deferred Revenue:

Deferred revenue at December 31, 2011 consist of the following:

Prepaid rent	<u>\$ 352</u>
--------------	---------------

NOTE 11 - Economic Dependency:

The Authority receives approximately 45% of its revenues from the U.S. Department of Housing and Urban Development (HUD). If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Continued)

NOTE 12 - Pension Plan:

Plan Description

The 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 the power 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.

The Authority's contributions were calculated using the base salary amount of \$166,234. During the year ended December 31, 2011, the Authority's required and actual contributions amounted to \$8,727, which was 5.25% of its current-year covered payroll in the amount of \$166,234.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employee's Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Continued)

NOTE 13 - Commitments and Contingencies:

Litigation: At December 31, 2011, the Authority was not involved in any threatened litigation.

Examinations: The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no examinations concerning the year ended December 31, 2011. The Indiana Board of Accounts identified fraudulent transactions.

Grant Disallowances: Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. Other than the amounts listed in the paragraph above, the amounts, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Construction Projects: There are certain major construction projects in progress at December 31, 2011. These include modernizing rental units at the project sites. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred. These costs will be paid by grants committed to the Authority by HUD.

NOTE 14 - Subsequent events:

In June 2006, the former Executive Director wrote a letter to the Kendallville Housing Authority Board where she admitted to irregularities in the financial records. She pled guilty to the charge of Theft, Class C Felony and agreed to serve a prison sentence of 8 years in the Indiana Department of Corrections. The Authority continues to have pending questioned costs due to these irregularities from previous years. The former Executive Director still has an accounts receivable that is recorded net of an allowance of \$327,706 for financial statement reporting purposes.



SUPPLEMENTAL FINANCIAL INFORMATION

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

COMBINING SCHEDULE OF PROGRAM NET ASSETS  
DECEMBER 31, 2011

	Annual Contributions Contracts		
	C-2000	IN036	C-2000
	Low	Section 8	
	Income	Housing	
	Public	Choice	Capital
<u>ASSETS</u>	Housing	Vouchers	Fund
<u>Current Assets</u>			
Cash and cash equivalents	\$ 172,675	\$ 1,580	\$ 0
Restricted cash and cash equivalents	32,096	0	0
Accounts receivable, net	180,409	0	0
Investments	0	0	0
Prepaid expenses	5,438	0	0
Inventory	2,763	0	0
<b>Total Current Assets</b>	<b>393,381</b>	<b>1,580</b>	<b>0</b>
<u>Capital Assets</u>			
Land and other nondepreciable assets	463,739	0	0
Depreciable capital assets, net	1,182,203	0	0
<b>Total Capital Assets</b>	<b>1,645,942</b>	<b>0</b>	<b>0</b>
<u>Noncurrent Assets</u>			
Investment in joint ventures	0	0	0
<b>Total Noncurrent Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Assets</b>	<b>2,039,323</b>	<b>1,580</b>	<b>0</b>
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	7,357	380	0
Accrued liabilities	4,388	0	0
Deferred revenue	352	0	0
Payable from restricted cash and and cash equivalents:			
Tenants security deposits	32,096	0	0
<b>Total Current Liabilities</b>	<b>44,193</b>	<b>380</b>	<b>0</b>
<u>Net Assets</u>			
Invested in capital assets	1,645,942	0	0
Unrestricted	349,188	1,200	0
<b>Total Net Assets</b>	<b>\$ 1,995,130</b>	<b>\$ 1,200</b>	<b>\$ 0</b>

Housing Development Corporation	Interfund Elimination	Total
\$ 261,018	\$ 0	\$ 435,273
0	0	32,096
41	0	180,450
90,728	0	90,728
0	0	5,438
0	0	2,763
<u>351,787</u>	<u>0</u>	<u>746,748</u>
0	0	463,739
0	0	1,182,203
<u>0</u>	<u>0</u>	<u>1,645,942</u>
40,334	0	40,334
<u>40,334</u>	<u>0</u>	<u>40,334</u>
<u>392,121</u>	<u>0</u>	<u>2,433,024</u>
0	0	7,737
0	0	4,388
0	0	352
0	0	32,096
<u>0</u>	<u>0</u>	<u>44,573</u>
0	0	1,645,942
<u>392,121</u>	<u>0</u>	<u>742,509</u>
<u>\$ 392,121</u>	<u>\$ 0</u>	<u>\$ 2,388,451</u>

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Annual Contributions Contracts		
	C-2000	IN036	C-2000
	Low Income Public Housing	Section 8 Housing Choice Vouchers	Capital Fund
<b><u>OPERATING REVENUES</u></b>			
Rental income	\$ 374,933	\$ 0	\$ 0
Other income	200	0	0
<b>TOTAL OPERATING REVENUE</b>	<b>375,133</b>	<b>0</b>	<b>0</b>
<b><u>OPERATING EXPENSES</u></b>			
Administrative	158,610	1,174	0
Tenant services	4,975	0	0
Utilities	90,062	0	0
Ordinary maintenance and operation	163,817	0	0
General expense	36,010	0	0
Housing assistance payments	0	20,149	0
Depreciation expense	193,436	0	0
<b>TOTAL OPERATING EXPENSES</b>	<b>646,910</b>	<b>21,323</b>	<b>0</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(271,777)</b>	<b>(21,323)</b>	<b>0</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Federal operating grants	162,417	18,617	61,939
Interest income	175	3	0
Net change in the fair value of investment	(7,639)	(36,096)	0
Gain on disposal of capital assets	(37)	0	0
<b>TOTAL NONOPERATING REVENUES</b>	<b>154,916</b>	<b>(17,476)</b>	<b>61,939</b>
<b>Net income before capital contributions</b>	<b>(116,861)</b>	<b>(38,799)</b>	<b>61,939</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>0</b>	<b>0</b>	<b>63,766</b>
<b>CHANGE IN NET ASSETS</b>	<b>(116,861)</b>	<b>(38,799)</b>	<b>125,705</b>
<b>TOTAL NET ASSETS - BEGINNING OF YEAR,</b> as originally stated	<b>1,986,286</b>	<b>39,999</b>	<b>0</b>
Prior period adjustments	125,705	0	(125,705)
<b>TOTAL NET ASSETS - BEGINNING OF YEAR,</b> as restated	<b>2,111,991</b>	<b>39,999</b>	<b>(125,705)</b>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ 1,995,130</b>	<b>\$ 1,200</b>	<b>\$ 0</b>

Housing Development Corporation	<u>Total</u>
\$ 0	\$ 374,933
0	200
<u>0</u>	<u>375,133</u>
0	159,784
0	4,975
0	90,062
0	163,817
0	36,010
0	20,149
0	193,436
<u>0</u>	<u>668,233</u>
<u>0</u>	<u>(293,100)</u>
0	242,973
2,183	2,361
(67,269)	(111,004)
0	(37)
<u>(65,086)</u>	<u>134,293</u>
<u>(65,086)</u>	<u>(158,807)</u>
0	63,766
<u>(65,086)</u>	<u>(95,041)</u>
457,207	2,483,492
0	0
<u>457,207</u>	<u>2,483,492</u>
<u>\$ 392,121</u>	<u>\$ 2,388,451</u>

Housing Authority of the City of Kendallville (IN036)

KENDALLVILLE, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2011

	Project Total	14,871 Housing Choice Vouchers	5 Component Units	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$172,675	\$1,580	\$261,018	\$435,273		\$435,273
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted						
114 Cash - Tenant Security Deposits	\$32,096			\$32,096		\$32,096
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$204,771	\$1,580	\$261,018	\$467,369	\$0	\$467,369
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects	\$179,795			\$179,795		\$179,795
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	\$327,508		\$6,293	\$333,799		\$333,799
126 Accounts Receivable - Tenants	\$936			\$936		\$936
126.1 Allowance for Doubtful Accounts - Tenants	-\$322			-\$322		-\$322
126.2 Allowance for Doubtful Accounts - Other	-\$327,506		-\$6,293	-\$333,799		-\$333,799
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable			\$41	\$41		\$41
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$180,409	\$0	\$41	\$180,450	\$0	\$180,450
131 Investments - Unrestricted			\$90,728	\$90,728		\$90,728
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$5,438			\$5,438		\$5,438
143 Inventories	\$3,163			\$3,163		\$3,163
143.1 Allowance for Obsolete Inventories	-\$400			-\$400		-\$400
144 Inter Program Due From						
145 Assets Held for Sale						
150 Total Current Assets	\$393,381	\$1,580	\$351,787	\$746,748	\$0	\$746,748
161 Land	\$388,549			\$388,549		\$388,549
162 Buildings	\$5,224,426			\$5,224,426		\$5,224,426
163 Furniture, Equipment & Machinery - Dwellings	\$124,209			\$124,209		\$124,209
164 Furniture, Equipment & Machinery - Administration	\$210,076	\$5,270	\$13,770	\$229,116		\$229,116
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$4,376,508	-\$5,270	-\$13,770	-\$4,395,548		-\$4,395,548
167 Construction in Progress	\$75,190			\$75,190		\$75,190
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,645,942	\$0	\$0	\$1,645,942	\$0	\$1,645,942
171 Notes, Loans and Mortgages Receivable - Non-Current						
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets						
176 Investments in Joint Ventures			\$40,334	\$40,334		\$40,334
180 Total Non-Current Assets	\$1,645,942	\$0	\$40,334	\$1,686,276	\$0	\$1,686,276
190 Total Assets	\$2,039,323	\$1,580	\$392,121	\$2,433,024	\$0	\$2,433,024
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$152			\$152		\$152
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$4,388			\$4,388		\$4,388
322 Accrued Compensated Absences - Current Portion						
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs		\$380		\$380		\$380
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government						

341	Tenant Security Deposits	\$32,096			\$32,096		\$32,096
342	Deferred Revenues	\$352			\$352		\$352
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds						
344	Current Portion of Long-term Debt - Operating Borrowings						
345	Other Current Liabilities						
346	Accrued Liabilities - Other	\$7,205			\$7,205		\$7,205
347	Inter Program - Due To						
348	Loan Liability - Current						
310	Total Current Liabilities	\$44,193	\$380	\$0	\$44,573	\$0	\$44,573
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						
352	Long-term Debt, Net of Current - Operating Borrowings						
353	Non-current Liabilities - Other						
354	Accrued Compensated Absences - Non Current						
355	Loan Liability - Non Current						
356	FASB 5 Liabilities						
357	Accrued Pension and OPEB Liabilities						
350	Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0
300	Total Liabilities	\$44,193	\$380	\$0	\$44,573	\$0	\$44,573
508.1	Invested In Capital Assets, Net of Related Debt	\$1,645,942			\$1,645,942		\$1,645,942
509.2	Fund Balance Reserved						
511.2	Unreserved, Designated Fund Balance						
511.1	Restricted Net Assets						
512.1	Unrestricted Net Assets	\$349,188	\$1,200	\$392,121	\$742,509		\$742,509
512.2	Unreserved, Undesignated Fund Balance						
513	Total Equity/Net Assets	\$1,995,130	\$1,200	\$392,121	\$2,388,451	\$0	\$2,388,451
600	Total Liabilities and Equity/Net Assets	\$2,039,323	\$1,580	\$392,121	\$2,433,024	\$0	\$2,433,024

Housing Authority of the City of Kendallville (IN036)  
KENDALLVILLE, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2011

	Project Total	14,871 Housing Choice Vouchers	6 Component Units	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$362,568			\$362,568		\$362,568
70400 Tenant Revenue - Other	\$12,365			\$12,365		\$12,365
70500 Total Tenant Revenue	\$374,933	\$0	\$0	\$374,933	\$0	\$374,933
70600 HUD PHA Operating Grants	\$224,356	\$18,617		\$242,973		\$242,973
70610 Capital Grants	\$63,766			\$63,766		\$63,766
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue				\$0	\$0	\$0
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$175		\$2,183	\$2,358		\$2,358
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery						
71500 Other Revenue	\$200			\$200		\$200
71600 Gain or Loss on Sale of Capital Assets	-\$37			-\$37		-\$37
72000 Investment Income - Restricted		\$3		\$3		\$3
70000 Total Revenue	\$663,393	\$18,620	\$2,183	\$684,196	\$0	\$684,196
91100 Administrative Salaries	\$87,553	\$900		\$88,453		\$88,453
91200 Auditing Fees						
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing	\$2,680			\$2,680		\$2,680
91500 Employee Benefit contributions - Administrative	\$31,232	\$69		\$31,301		\$31,301
91600 Office Expenses	\$11,999			\$11,999		\$11,999
91700 Legal Expense	\$3,542			\$3,542		\$3,542
91800 Travel	\$8,519			\$8,519		\$8,519
91810 Allocated Overhead						
91900 Other	\$13,065	\$205		\$13,290		\$13,290
91000 Total Operating - Administrative	\$158,610	\$1,174	\$0	\$159,784	\$0	\$159,784
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$4,975			\$4,975		\$4,975
92500 Total Tenant Services	\$4,975	\$0	\$0	\$4,975	\$0	\$4,975
93100 Water	\$25,020			\$25,020		\$25,020
93200 Electricity	\$46,936			\$46,936		\$46,936
93300 Gas	\$18,106			\$18,106		\$18,106
93400 Fuel						
93500 Labor						
93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$80,062	\$0	\$0	\$80,062	\$0	\$80,062
94100 Ordinary Maintenance and Operations - Labor	\$77,024			\$77,024		\$77,024
94200 Ordinary Maintenance and Operations - Materials and Other	\$23,728			\$23,728		\$23,728
94300 Ordinary Maintenance and Operations Contracts	\$35,589			\$35,589		\$35,589
94500 Employee Benefit Contributions - Ordinary Maintenance	\$27,476			\$27,476		\$27,476
94000 Total Maintenance	\$163,817	\$0	\$0	\$163,817	\$0	\$163,817

95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$19,624			\$19,624		\$19,624
96120 Liability Insurance	\$2,597			\$2,597		\$2,597
96130 Workmen's Compensation	\$2,797			\$2,797		\$2,797
96140 All Other Insurance	\$1,675			\$1,675		\$1,675
96100 Total Insurance Premiums	\$26,693	\$0	\$0	\$26,693	\$0	\$26,693
96200 Other General Expenses						
96210 Compensated Absences	\$8,995			\$8,995		\$8,995
96300 Payments in Lieu of Taxes						
96400 Bad debt - Tenant Rents	\$322			\$322		\$322
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$9,317	\$0	\$0	\$9,317	\$0	\$9,317
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$453,474	\$1,174	\$0	\$454,648	\$0	\$454,648
97000 Excess of Operating Revenue over Operating Expenses	\$209,919	\$17,446	\$2,183	\$229,548	\$0	\$229,548
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments		\$20,149		\$20,149		\$20,149
97350 HAP Portability-In						
97400 Depreciation Expense	\$193,436			\$193,436		\$193,436
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$646,910	\$21,323	\$0	\$668,233	\$0	\$668,233
10010 Operating Transfer In	\$104,605			\$104,605	-\$104,605	\$0
10020 Operating transfer Out	-\$104,605			-\$104,605	\$104,605	\$0
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						
10080 Special Items (Net Gain/Loss)	-\$7,639	-\$36,096	-\$67,269	-\$111,004		-\$111,004
10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	-\$7,639	-\$36,096	-\$67,269	-\$111,004	\$0	-\$111,004
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$8,844	-\$38,799	-\$65,085	-\$95,041	\$0	-\$95,041
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,986,285	\$39,999	\$457,207	\$2,483,492		\$2,483,492
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0			\$0		\$0
11050 Changes in Compensated Absence Balance						
11050 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity		\$1,200		\$1,200		\$1,200

11180 Housing Assistance Payments Equity		\$0		\$0	\$0
11190 Unit Months Available	1416	54	0	1470	1470
11210 Number of Unit Months Leased	1403	54	0	1457	1457
11270 Excess Cash	\$303,198			\$303,198	\$303,198
11610 Land Purchases	\$0			\$0	\$0
11620 Building Purchases	\$63,766			\$63,766	\$63,766
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0	\$0
11650 Leasehold Improvements Purchases	\$0			\$0	\$0
11660 Infrastructure Purchases	\$0			\$0	\$0
13510 CFFP Debt Service Payments	\$0			\$0	\$0
13901 Replacement Housing Factor Funds	\$0			\$0	\$0

OTHER REPORTS

---

# Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Road

Fredericksburg, Indiana 47120

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE  
AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Housing Authority of the City of Kendallville  
903 6<sup>th</sup> Street  
Kendallville, CO 80631

I have audited the financial statements of the Housing Authority of the City of Kendallville, as of and for the year ended December 31, 2011, and have issued my report thereon dated August 16, 2012, which included a disclaimer of opinion on Management's Discussion and Analysis. 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 of the City of Kendallville'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 of the City of Kendallville's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Kendallville's internal control over financial reporting.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting. The finding reference number is 2011-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Kendallville's financial statements are free of material misstatement, 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-01.

The Housing Authority of the City of Kendallville's response to the finding identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. I did not audit the Housing Authority of the City of Kendallville's response and, accordingly, I express no opinion on it.

I noted certain matters that I reported to the management of the Housing Authority of the City of Kendallville in a separate letter dated August 16, 2012.

This report is intended solely for the information and use of the Authority's management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountant

Fredericksburg, Indiana  
August 16, 2012

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

DECEMBER 31, 2011

SCHEDULE OF FINDINGS AND RESPONSES

STATUS OF PRIOR AUDIT FINDINGS

2010-01 PRIOR  
CONDITION:

UNLOCATED INFORMATION:

The Authority could not provide an actuarial calculation with the necessary disclosures for its Public Employers Retirement Plan.

CURRENT  
CONDITION:

The Authority could not provide an actuarial calculation with the necessary disclosures for its Public Employers Retirement Plan.

Finding is Continued as 2011-01

FINDINGS, RECOMMENDATIONS AND REPLIES

2011-01 CURRENT  
CONDITION:

UNLOCATED INFORMATION:

The Authority could not provide an actuarial calculation with the necessary disclosures for its Public Employers Retirement Plan.

CRITERIA: HUD rules and regulations require requested information should be readily available for audit examination.

CAUSE/EFFECT: It appears management has not placed proper emphasis in safe keeping its records and ensuring all information requested is readily available for audit examination.

RECOMMENDATION: We recommend the Authority place greater emphasis in safe keeping its records and ensuring all information requested is readily available for audit examination.

REPLY: The Housing Authority has attempted to acquire this letter. We are still working with PERF to obtain this letter. This has never been requested in previous audits. The Executive Director John Sisson will be responsible for obtaining this information for future audits.

DISCUSSED WITH: John Sisson

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

DECEMBER 31, 2011

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

<u>FINDING</u>	<u>CONDITION</u>	<u>STATUS</u>
2010-01	Unlocated Information	Continued