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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, 2012 to December 31, 2012. 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, 2012 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, 2012

*Jean Sickels*

Certified Public Accountant

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Fredericksburg, IN 47120  
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HOUSING AUTHORITY  
OF THE  
CITY OF KENDALLVILLE

Kendallville, Indiana  
DECEMBER 31, 2012

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# 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, 2012, 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***

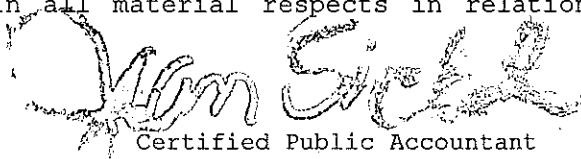
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Kendallville as of December 31, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with 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 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  
April 16, 2013

**KENDALLVILLE HOUSING AUTHORITY**  
**KENDALLVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2012**

This section of the Kendallville Housing Authority, 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, 2012. 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, 2012 were \$2,464,583. The net assets increased by \$76,132, an increase of 3.2% over the prior year.
- Revenues for the Authority were \$702,543 for the year ended December 31, 2012. This was an increase of \$129,351 or 22.6% over the prior year.
- Expenses for the Authority were \$626,411 for the year ended December 31, 2012. This was a decrease of \$41,822 or 6.3% from the prior year.
- Tenant revenue for the Authority was \$399,887 for the year ended December 31, 2012, an increase of \$24,954 or 6.7% over the prior year. HUD operating grants for the Authority was \$188,725 for the year ended December 31, 2012. This was a decrease of \$54,248 or 22.3% from the prior year. HUD capital grants were \$99,420 for the year ended December 31, 2012. This was an increase of \$35,654 or 55.9% over 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.

**KENDALLVILLE HOUSING AUTHORITY**  
**KENDALLVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2012**  
(Continued)

**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, 2012 and is required to be included in the audit reporting package.

**KENDALLVILLE HOUSING AUTHORITY**  
**KENDALLVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2012**  
(Continued)

**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 \$2,464,583 at the close of the year ended December 31, 2012, up from \$2,388,451 in fiscal year 2011. The increase in net assets of \$76,132 was due to the reasons noted below.

- Current assets include cash, receivables, prepaid expenses, and inventory. Of the \$125,798 increase in this category, cash increased \$306,004, receivables decreased \$180,186, prepaid expenses increased \$94, and inventory decreased \$114.
- Other assets include investment in joint ventures and increased \$15 from FY 2011.
- Capital assets decreased \$51,235 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 \$1,554 from FY 2011.

**CONDENSED STATEMENTS OF NET ASSETS**

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>ASSETS</b>				
Current assets	\$ 872,546	\$ 746,748	\$ 125,798	16.8%
Other assets	40,349	40,334	15	0.0%
Capital assets, net	<u>1,594,707</u>	<u>1,645,942</u>	<u>(51,235)</u>	-3.1%
<b>TOTAL ASSETS</b>	<b>\$ <u>2,507,602</u></b>	<b>\$ <u>2,433,024</u></b>	<b>\$ <u>74,578</u></b>	<b>3.1%</b>
<b>LIABILITIES</b>				
Current liabilities	\$ 43,019	\$ 44,573	\$ (1,554)	-3.5%
<b>TOTAL LIABILITIES</b>	<b>\$ <u>43,019</u></b>	<b>\$ <u>44,573</u></b>	<b>\$ <u>(1,554)</u></b>	<b>-3.5%</b>
<b>NET ASSETS</b>				
Invested in capital assets	1,594,707	1,645,942	(51,235)	-3.1%
Unrestricted	<u>869,876</u>	<u>742,509</u>	<u>127,367</u>	17.2%
<b>TOTAL NET ASSETS</b>	<b>\$ <u>2,464,583</u></b>	<b>\$ <u>2,388,451</u></b>	<b>\$ <u>76,132</u></b>	<b>3.2%</b>

The unrestricted net assets were \$869,876 as of December 31, 2012. 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.

**KENDALLVILLE HOUSING AUTHORITY**  
**KENDALLVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2012**  
(Continued)

**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 increased \$129,351 due to the reasons noted below.

- Tenant revenue increased \$24,954 or 6.7% due to an increase in average rental charge per unit of \$15.52 or 6.0%.
- Of the \$54,248 decrease in operating grants, public housing operating subsidy increased \$9,898, housing choice voucher assistance decreased \$18,617, and capital fund grants used for operating expenditures decreased \$45,529.
- Interest earnings increased \$1,795 from FY 2011 mainly due to an increase in cash and investments.
- Capital grants increased \$35,654 from FY 2011. 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 increased \$10,155 from FY 2011.
- The Authority had a loss on disposal of capital assets of \$37 in FY 2011.
- The Authority had a net change in the fair value of investments of \$(111,004) in FY 2011.

Total expenses decreased \$41,822 due to the reasons noted below.

- Administrative expense decreased \$18,952 or 11.9% from FY 2011 mainly due to a decrease in administrative wages and benefits of \$16,130 or 13.5%.
- Tenant services increased \$204 or 4.1% from FY 2011.
- Of the \$6,304 increase in utilities, water increased \$712 or 2.8%, electricity increased \$9,943 or 21.2%, and gas decreased \$4,351 or 24.0%.

**KENDALLVILLE HOUSING AUTHORITY**  
**KENDALLVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**December 31, 2012**

(Continued)

**FINANCIAL ANALYSIS (CONTINUED)**

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

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>REVENUES</b>				
Operating - non-operating - capital contributions:				
Tenant revenue	\$ 399,887	\$ 374,933	\$ 24,954	6.7%
HUD PHA operating grants	188,725	242,973	(54,248)	-22.3%
Interest & investment earnings	4,156	2,361	1,795	76.0%
HUD PHA capital grants	99,420	63,766	35,654	55.9%
Other revenues	10,355	200	10,155	5077.5%
Gain (loss) on sale of capital assets	-	(37)	37	100.0%
Net change in fair value of investments	-	(111,004)	111,004	100.0%
<b>TOTAL REVENUES</b>	<u>702,543</u>	<u>573,192</u>	<u>129,351</u>	22.6%
<b>EXPENSES</b>				
Administrative	140,832	159,784	(18,952)	-11.9%
Tenant services	5,179	4,975	204	4.1%
Utilities	96,366	90,062	6,304	7.0%
Ordinary maintenance	160,616	163,817	(3,201)	-2.0%
General expenses	41,592	36,010	5,582	15.5%
Depreciation	181,826	193,436	(11,610)	-6.0%
Housing assistance payments	-	20,149	(20,149)	-100.0%
<b>TOTAL EXPENSES</b>	<u>626,411</u>	<u>668,233</u>	<u>(41,822)</u>	-6.3%
<b>CHANGE IN NET ASSETS</b>	76,132	(95,041)	171,173	
<b>NET ASSETS - BEG OF YEAR</b>	<u>2,388,451</u>	<u>2,483,492</u>	<u>(95,041)</u>	
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,464,583</u>	<u>\$ 2,388,451</u>	<u>\$ 76,132</u>	

- Ordinary maintenance decreased \$3,201 or 2.0% primarily due to a decrease in contracted maintenance services of \$6,261 or 17.6%. This was partially offset by an increase in maintenance materials of \$1,934 or 8.2%.
- General expenses increased \$5,582 or 15.5% mainly due to an increase in insurance expense of \$4,592 or 17.2%.
- The Authority had a \$11,610 or 6.0% decrease in Depreciation which is the write-off of capital assets over their estimated useful life.
- Housing assistance payments decreased \$20,149 from FY 2011. The Authority's Housing Choice Voucher program ended September 30, 2011.

**KENDALLVILLE HOUSING AUTHORITY**  
**KENDALLVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2012**  
(Continued)

**FINANCIAL ANALYSIS (CONTINUED)**

The Low Rent Public Housing occupancy rate for fiscal year December 31, 2012 was 98.9%, down slightly from 99.1% in FY 2011. The Authority currently has 118 Public Housing units.

**CAPITAL ASSETS**

*Capital Assets* - The Kendallville Housing Authority, Indiana's investment in capital assets, as of December 31, 2012 amounts to \$1,594,707 (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 3.1% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues were \$130,591 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 \$181,826. 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	\$1,645,942	\$130,591	\$(181,826)	\$0	\$1,594,707

**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 2013 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, Kendallville Housing Authority, 240 Angling Road, Kendallville, Indiana 46755, telephone number (260) 347-1091.

**FINANCIAL STATEMENTS**

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KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

STATEMENT OF NET ASSETS

DECEMBER 31, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 707,275
Restricted cash and cash equivalents	31,704
Accounts receivable, net	264
Investments	125,122
Prepaid expenses	5,532
Inventory	2,649
<b>Total Current Assets</b>	<b>872,546</b>

Capital Assets

Land and other nondepreciable assets	467,801
Depreciable capital assets, net	1,126,906
<b>Total Capital Assets</b>	<b>1,594,707</b>

Noncurrent Assets

Investments in joint ventures	40,349
<b>Total Noncurrent Assets</b>	<b>40,349</b>

**Total Assets**

**2,507,602**

LIABILITIES

Current liabilities

Accounts payable	4,476
Accrued liabilities	6,209
Deferred revenue	630
Payable from restricted cash and cash equivalents:	
Tenants security deposits	31,704
<b>Total Current Liabilities</b>	<b>43,019</b>

Net Assets

Invested in capital assets	1,594,707
Unrestricted	869,876
<b>Total Net Assets</b>	<b>\$ 2,464,583</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, 2012

<u>OPERATING REVENUES</u>	
Rental income	\$ 399,887
Other income	<u>10,355</u>
<b>TOTAL OPERATING REVENUE</b>	<b><u>410,242</u></b>
<u>OPERATING EXPENSES</u>	
Administrative	140,832
Tenant services	5,179
Utilities	96,366
Ordinary maintenance and operation	160,616
General expense	41,592
Depreciation expense	<u>181,826</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>626,411</u></b>
OPERATING INCOME (LOSS)	<b>(216,169)</b>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Federal operating grants	188,725
Interest income	4,156
<b>TOTAL NONOPERATING REVENUES</b>	<b><u>192,881</u></b>
Net income before capital contributions	<b><u>(23,288)</u></b>
CAPITAL CONTRIBUTIONS	<u>99,420</u>
<b>CHANGE IN NET ASSETS</b>	<b>76,132</b>
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>2,388,451</u>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ <u>2,464,583</u></b>

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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	590,706
Payments to vendors		(237,147)
Payments to employees		(209,250)
Net Cash Used by Operating Activities		144,309

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received		188,725
Net Cash From Noncapital Financing Activities		188,725

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received		99,420
Purchase of capital assets		(130,591)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities		(31,171)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income		4,156
Investment in joint ventures		(15)
Purchase of investments		(34,394)
Net Cash From Investing Activities		(30,253)

Net Increase (Decrease) in Cash and Cash Equivalents 271,610

Cash - Beginning of year 467,369

Cash - End of year \$ 738,979

Reconciliation of Cash

Unrestricted	\$	707,275
Restricted		31,704
	\$	738,979

Continued

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)

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

Operating income (loss)	\$ (216,169)
Adjustments to reconcile net income to net cash Provided by operating activities:	
Depreciation	181,826
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	180,186
Prepaid expenses	(94)
Inventory	114
Increase (Decrease) in:	
Accounts payable	(3,653)
Accrued liabilities	1,821
Deferred revenue	278
Net Cash Flows Provided (Used) by Operating Activities	\$ <u>144,309</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, 2012

**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, 2013, the Housing Authority had 118 units in management and was administering other programs as listed below:

Management

Low-Income Public Housing

118

Other Programs

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, 2012

(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, 2012  
(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, 2012

(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, 2012  
(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, 2012, 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, 2012, the carrying amount of the Authority's deposits were \$738,979. 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, 2012  
(Continued)

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

Deposits consist of the following:

Checking accounts	\$ 508,516
Certificates of Deposit	<u>230,463</u>
 Total	 <u>\$ 738,979</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 withdraw their funds in total on one day's notice. At December 31, 2012, 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.

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>	<u>Callable</u>
Investments:				
LGIP	\$ <u>125,122</u>	NA	Various	NO
Total Investments	<u>\$ 125,122</u>			

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Total deposits and Investments	<u>\$ 864,101</u>
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HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

(Continued)

**NOTE 3 - Accounts Receivable:**

Accounts receivables at December 31, 2012 consist of the following:

Miscellaneous accounts receivable, net of allowance of \$6,293	\$ 0
Accounts receivable tenants	160
Accrued interest receivable	<u>104</u>
 Total	 <u>\$ 264</u>

**NOTE 4 - Prepaid Expenses:**

Prepaid Expenses at December 31, 2012 consist of the following:

Prepaid insurance and other prepaid assets	<u>\$ 5,532</u>
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**NOTE 5 - Inventory:**

Inventory at December 31, 2012, consist of the following:

Inventory, net of allowance of \$400	<u>\$ 2,649</u>
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**NOTE 6 - Capital Assets:**

	Beginning Balance <u>12/31/11</u>	Increases	Decreases	Transfers	Ending Balance <u>12/31/12</u>
Capital assets, not being depreciated:					
Land	\$ 388,549	\$ 0	\$ ( 0)	\$ 0	\$ 388,549
Construction in Progress	<u>75,190</u>	<u>4,062</u>	<u>0</u>	<u>0</u>	<u>79,252</u>
Total Capital Assets, Not being depreciated	<u>463,739</u>	<u>4,062</u>	<u>( 0)</u>	<u>0</u>	<u>467,801</u>
Capital Assets, being depreciated:					
Buildings & Improvements	5,224,426	97,321	( 0)	0	5,321,747
Furniture, Equipment & Machinery	<u>353,325</u>	<u>29,552</u>	<u>(37,341)</u>	<u>0</u>	<u>345,536</u>
Total Capital Assets, being depreciated	<u>5,577,751</u>	<u>126,873</u>	<u>(37,341)</u>	<u>0</u>	<u>5,667,283</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	( 4,105,438)	(164,387)	0	0	( 4,269,825)
Furniture, Equipment and Machinery	<u>( 290,110)</u>	<u>( 17,338)</u>	<u>36,896</u>	<u>0</u>	<u>( 270,552)</u>
Total Accumulated Depreciation:	<u>( 4,395,548)</u>	<u>(181,725)</u>	<u>36,896</u>	<u>0</u>	<u>( 4,540,377)</u>

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)

NOTE 6 - Capital Assets: (Continued)

Total Capital Assets, being depreciated, net	1,182,203	( 54,852)	( 445)	0	<u>1,126,906</u>
Capital Assets, Net	<u>\$ 1,645,942</u>	<u>\$( 50,790)</u>	<u>\$ ( 445)</u>	<u>\$ 0</u>	<u>\$ 1,594,707</u>

Major construction renovation through the Capital Fund Program costs of \$50,403 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, 2012, was \$181,826.

NOTE 7 - Investments in Joint Ventures:

Investments at December 31, 2021 consist of the following:

Partnership Kendallville limited partnership.	<u>\$ 40,349</u>
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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, 2012 consist of the following:

Vendors' Accounts Payable	<u>\$ 4,476</u>
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NOTE 9 - Accrued Liabilities:

Accrued liabilities at December 31, 2012, consist of the following:

Accrued wages	<u>\$ 6,209</u>
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NOTE 10 - Deferred Revenue:

Deferred revenue at December 31, 2012 consists of the following:

Capital Fund Program drawdowns not yet spent	<u>\$ 630</u>
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NOTE 11 - Economic Dependency:

The Authority receives approximately 41% 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, 2012

(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 \$146,512. During the year ended December 31, 2012, the Authority's required and actual contributions amounted to \$7,692, which was 5.25% of its current-year covered payroll in the amount of \$146,512.

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, 2012  
(Continued)

NOTE 13 - Commitments and Contingencies:

Litigation: At December 31, 2012, 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, 2012. 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, 2012. 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. The former Executive Director has passed away and these amounts have been written off.



**SUPPLEMENTAL FINANCIAL INFORMATION**

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KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

COMBINING SCHEDULE OF PROGRAM NET ASSETS

DECEMBER 31, 2012

	Annual Contributions Contracts		
	C-2000	IN036	C-2000
	Low Income Public Housing	Section 8 Housing Choice Vouchers	Capital Fund
<b><u>ASSETS</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 476,812	\$ 0	\$ 0
Restricted cash and cash equivalents	31,704	0	0
Accounts receivable, net	160	0	0
Investments	0	0	0
Prepaid expenses	5,532	0	0
Inventory	2,649	0	0
<b>Total Current Assets</b>	<b>516,857</b>	<b>0</b>	<b>0</b>
<b><u>Capital Assets</u></b>			
Land and other nondepreciable assets	467,801	0	0
Depreciable capital assets, net	1,126,906	0	0
<b>Total Capital Assets</b>	<b>1,594,707</b>	<b>0</b>	<b>0</b>
<b><u>Noncurrent Assets</u></b>			
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>2,111,564</b>	<b>0</b>	<b>0</b>
<b><u>LIABILITIES</u></b>			
<b><u>Current liabilities</u></b>			
Accounts payable	4,476	0	0
Accrued liabilities	6,209	0	0
Deferred revenue	630	0	0
Payable from restricted cash and and cash equivalents:			
Tenants security deposits	31,704	0	0
<b>Total Current Liabilities</b>	<b>43,019</b>	<b>0</b>	<b>0</b>
<b><u>Net Assets</u></b>			
Invested in capital assets	1,594,707	0	0
Unrestricted	473,838	0	0
<b>Total Net Assets</b>	<b>\$ 2,068,545</b>	<b>\$ 0</b>	<b>\$ 0</b>

· Housing		
Development Corporation	Interfund Elimination	Total
\$ 230,463	\$ 0	\$ 707,275
0	0	31,704
104	0	264
125,122	0	125,122
0	0	5,532
0	0	2,649
<u>355,689</u>	<u>0</u>	<u>872,546</u>
0	0	467,801
0	0	1,126,906
0	0	1,594,707
40,349	0	40,349
<u>40,349</u>	<u>0</u>	<u>40,349</u>
<u>396,038</u>	<u>0</u>	<u>2,507,602</u>
0	0	4,476
0	0	6,209
0	0	630
0	0	31,704
0	0	43,019
0	0	1,594,707
396,038	0	869,876
<u>\$ 396,038</u>	<u>\$ 0</u>	<u>\$ 2,464,583</u>

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	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	\$ 399,887	\$ 0	\$ 0
Other income	10,355	0	0
<b>TOTAL OPERATING REVENUE</b>	<b>410,242</b>	<b>0</b>	<b>0</b>
<b><u>OPERATING EXPENSES</u></b>			
Administrative	140,832	0	0
Tenant services	5,179	0	0
Utilities	96,366	0	0
Ordinary maintenance and operation	160,616	0	0
General expense	41,592	0	0
Depreciation expense	181,826	0	0
<b>TOTAL OPERATING EXPENSES</b>	<b>626,411</b>	<b>0</b>	<b>0</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(216,169)</b>	<b>0</b>	<b>0</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Federal operating grants	129,649	0	59,076
Interest income	239	0	0
<b>TOTAL NONOPERATING REVENUES</b>	<b>129,888</b>	<b>0</b>	<b>59,076</b>
<b>Net income before capital contributions</b>	<b>(86,281)</b>	<b>0</b>	<b>59,076</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>0</b>	<b>0</b>	<b>99,420</b>
<b>CHANGE IN NET ASSETS</b>	<b>(86,281)</b>	<b>0</b>	<b>158,496</b>
TOTAL NET ASSETS - BEGINNING OF YEAR, as originally stated	1,995,130	1,200	0
Prior period adjustments	159,696	(1,200)	(158,496)
TOTAL NET ASSETS - BEGINNING OF YEAR, as restated	2,154,826	0	(158,496)
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ 2,068,545</b>	<b>\$ 0</b>	<b>\$ 0</b>

Housing Development Corporation	<u>Total</u>
\$ 0	\$ 399,887
0	10,355
<u>0</u>	<u>410,242</u>
0	140,832
0	5,179
0	96,366
0	160,616
0	41,592
0	181,826
<u>0</u>	<u>626,411</u>
<u>0</u>	<u>(216,169)</u>
0	188,725
3,917	4,156
<u>3,917</u>	<u>192,881</u>
<u>3,917</u>	<u>(23,288)</u>
<u>0</u>	<u>99,420</u>
3,917	76,132
392,121	2,388,451
<u>0</u>	<u>0</u>
<u>392,121</u>	<u>2,388,451</u>
<u>\$ 396,038</u>	<u>\$ 2,464,583</u>

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>501-11</u>
1. The Capital Fund Grant Costs are as follows:	
Funds Approved	\$ 118,486
Funds Expended	<u>118,486</u>
Excess (Deficiency) of funds approved	\$ <u>0</u>
Funds Advanced	\$ 118,486
Funds Expended	<u>118,486</u>
Excess (Deficiency) of funds advanced	\$ <u>0</u>

1. Cost additions totaling \$68,000.00 were incurred for the year and accordingly were audited by Jean Sickels, CPA
2. The distribution of costs by project as shown on the Final Statement of Capital Fund Grant Costs on the above Phases, accompanying the Actual Capital Fund Grant Costs Certificates submitted to HUD are in agreement with the Authority records.
3. All capital fund grant work in connection with the Project has been completed.
4. All liabilities have been paid and there are no undischarged mechanics', laborers', contractors', or material-mens' liens against the Project on file in any public office where the same should be filed in order to be valid and the time in which such liens could be filed has expired.
5. There were no budget overruns.

Housing Authority of the City of Kendallville (IN036)

KENDALLVILLE, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	6 Component Units	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$476,182		\$230,463	\$706,645		\$706,645
112 Cash - Restricted - Modernization and Development	\$630			\$630		\$630
113 Cash - Other Restricted						
114 Cash - Tenant Security Deposits	\$31,704			\$31,704		\$31,704
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$508,516	\$0	\$230,463	\$738,979	\$0	\$738,979
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous			\$6,293	\$6,293		\$6,293
126 Accounts Receivable - Tenants	\$160			\$160		\$160
126.1 Allowance for Doubtful Accounts - Tenants	\$0			\$0		\$0
126.2 Allowance for Doubtful Accounts - Other			-\$6,293	-\$6,293		-\$6,293
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable			\$104	\$104		\$104
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$160	\$0	\$104	\$264	\$0	\$264
131 Investments - Unrestricted			\$125,122	\$125,122		\$125,122
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$5,532			\$5,532		\$5,532
143 Inventories	\$3,049			\$3,049		\$3,049
143.1 Allowance for Obsolete Inventories	-\$400			-\$400		-\$400
144 Inter Program Due From						
145 Assets Held for Sale						
150 Total Current Assets	\$516,857	\$0	\$355,689	\$872,546	\$0	\$872,546
161 Land	\$388,549			\$388,549		\$388,549
162 Buildings	\$5,321,747			\$5,321,747		\$5,321,747
163 Furniture, Equipment & Machinery - Dwellings	\$123,400			\$123,400		\$123,400
164 Furniture, Equipment & Machinery - Administration	\$208,466		\$13,670	\$222,136		\$222,136
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$4,526,707		-\$13,670	-\$4,540,377		-\$4,540,377
167 Construction In Progress	\$79,252			\$79,252		\$79,252
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,594,707	\$0	\$0	\$1,594,707	\$0	\$1,594,707
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			\$40,349	\$40,349		\$40,349
180 Total Non-Current Assets	\$1,594,707	\$0	\$40,349	\$1,635,056	\$0	\$1,635,056
190 Total Assets	\$2,111,564	\$0	\$396,038	\$2,507,602	\$0	\$2,507,602

311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$1,690			\$1,690		\$1,690
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$5,209			\$5,209		\$5,209
322 Accrued Compensated Absences - Current Portion						
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government						
341 Tenant Security Deposits	\$31,704			\$31,704		\$31,704
342 Deferred Revenues	\$630			\$630		\$630
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	\$2,786			\$2,786		\$2,786
347 Inter Program - Due To						
348 Loan Liability - Current						
310 Total Current Liabilities	\$43,019	\$0	\$0	\$43,019	\$0	\$43,019
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	\$43,019	\$0	\$0	\$43,019	\$0	\$43,019
508.1 Invested in Capital Assets, Net of Related Debt	\$1,594,707			\$1,594,707		\$1,594,707
511.1 Restricted Net Assets						
512.1 Unrestricted Net Assets	\$473,838	\$0	\$396,038	\$869,876		\$869,876
513 Total Equity/Net Assets	\$2,068,545	\$0	\$396,038	\$2,464,583	\$0	\$2,464,583
600 Total Liabilities and Equity/Net Assets	\$2,111,564	\$0	\$396,038	\$2,507,602	\$0	\$2,507,602

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: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	6 Component Units	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$383,791			\$383,791		\$383,791
70400 Tenant Revenue - Other	\$16,096			\$16,096		\$16,096
70500 Total Tenant Revenue	\$399,887	\$0	\$0	\$399,887	\$0	\$399,887
70600 HUD PHA Operating Grants	\$188,725			\$188,725		\$188,725
70810 Capital Grants	\$99,420			\$99,420		\$99,420
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	\$239		\$3,917	\$4,156		\$4,156
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	\$10,355			\$10,355		\$10,355
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted						
70000 Total Revenue	\$698,626	\$0	\$3,917	\$702,543	\$0	\$702,543
91100 Administrative Salaries	\$76,365			\$76,365		\$76,365
91200 Auditing Fees	\$8,973			\$8,973		\$8,973
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing	\$3,312			\$3,312		\$3,312
91500 Employee Benefit Contributions - Administrative	\$27,259			\$27,259		\$27,259
91600 Office Expenses	\$14,847			\$14,847		\$14,847
91700 Legal Expense	\$2,365			\$2,365		\$2,365
91800 Travel	\$7,708			\$7,708		\$7,708
91810 Allocated Overhead						
91900 Other	\$3			\$3		\$3
91000 Total Operating - Administrative	\$140,832	\$0	\$0	\$140,832	\$0	\$140,832
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$5,179			\$5,179		\$5,179
92500 Total Tenant Services	\$5,179	\$0	\$0	\$5,179	\$0	\$5,179
93100 Water	\$26,732			\$26,732		\$26,732
93200 Electricity	\$56,879			\$56,879		\$56,879
93300 Gas	\$13,755			\$13,755		\$13,755
93400 Fuel						
93500 Labor						
93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$96,366	\$0	\$0	\$96,366	\$0	\$96,366
94100 Ordinary Maintenance and Operations - Labor	\$77,576			\$77,576		\$77,576
94200 Ordinary Maintenance and Operations - Materials and Other	\$25,662			\$25,662		\$25,662
94300 Ordinary Maintenance and Operations Contracts	\$29,328			\$29,328		\$29,328
94500 Employee Benefit Contributions - Ordinary Maintenance	\$28,050			\$28,050		\$28,050
94000 Total Maintenance	\$160,616	\$0	\$0	\$160,616	\$0	\$160,616
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	\$20,751			\$20,751		\$20,751
96120 Liability Insurance	\$2,592			\$2,592		\$2,592
96130 Workmen's Compensation	\$5,976			\$5,976		\$5,976
96140 All Other Insurance	\$1,966			\$1,966		\$1,966
96100 Total Insurance Premiums	\$31,285	\$0	\$0	\$31,285	\$0	\$31,285
96200 Other General Expenses						
96210 Compensated Absences	\$9,216			\$9,216		\$9,216
96300 Payments in Lieu of Taxes						
96400 Bad debt - Tenant Rents	\$1,091			\$1,091		\$1,091
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$10,307	\$0	\$0	\$10,307	\$0	\$10,307
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	\$444,585	\$0	\$0	\$444,585	\$0	\$444,585
97000 Excess of Operating Revenue over Operating Expenses	\$254,041	\$0	\$3,917	\$257,958	\$0	\$257,958
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments						
97350 HAP Portability-In						
97400 Depreciation Expense	\$181,826			\$181,826		\$181,826
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$626,411	\$0	\$0	\$626,411	\$0	\$626,411
10010 Operating Transfer In	\$59,076			\$59,076	-\$59,076	\$0
10020 Operating transfer Out	-\$59,076			-\$59,076	\$59,076	\$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)						
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)	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$72,215	\$0	\$3,917	\$76,132	\$0	\$76,132
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,995,130	\$1,200	\$392,121	\$2,388,451		\$2,388,451
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$1,200	-\$1,200		\$0		\$0
11050 Changes in Compensated Absence Balance						
11060 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		\$0		\$0		\$0
11180 Housing Assistance Payments Equity		\$0		\$0		\$0
11190 Unit Months Available	1416	0		1416		1416
11210 Number of Unit Months Leased	1401	0		1401		1401
11270 Excess Cash	\$427,979			\$427,979		\$427,979
11610 Land Purchases	\$0			\$0		\$0
11620 Building Purchases	\$101,383			\$101,383		\$101,383
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$18,853			\$18,853		\$18,853
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**

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# Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Road  
Fredericksburg, Indiana 47120

Report On Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based On An Audit Of Financial Statements Performed In Accordance With  
*Government Auditing Standards*

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

I have audited, in accordance with the 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, the financial statements of the Housing Authority of the City of Kendallville, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Kendallville's basic financial statements and have issued my report thereon dated April 16, 2013.

## Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Housing Authority of the City of Kendallville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Kendallville's internal control.

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 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. 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

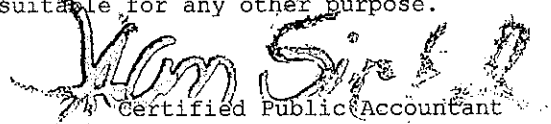
## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Kendallville's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of Housing Authority of the City of Kendallville in a separate letter dated April 16, 2013.

## Purpose Of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Certified Public Accountant

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

DECEMBER 31, 2012

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:

In a letter dated March 28, 2013 the Indianapolis HUD office closed this finding.

CURRENT AUDIT FINDINGS

There are no current audit findings.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

DECEMBER 31, 2012

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

<u>FINDING</u>	<u>CONDITION</u>	<u>STATUS</u>
2011-01	Unlocated Information	Closed