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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, 2013 to December 31, 2013. 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, 2013 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, 2013

*Goldie Roberts*

Certified Public Accountant

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Fredericksburg, IN 47120  
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## Other Matters

### *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 vii 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 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.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 20, 2014 on my consideration of the Housing Authority of the City of Kendallville's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Kendallville's internal control over financial reporting and compliance.

*Goldie Roberts*

Certified Public Accountant

Fredericksburg, Indiana  
May 20, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2013**

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, 2013. 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 position" refers to the difference between assets and liabilities. The Authority's total net position as of December 31, 2013 was \$2,427,671. The net position decreased by \$36,912, a decrease of 1.5% from the prior year.
- Revenues for the Authority were \$534,735 for the year ended December 31, 2013. This was a decrease of \$167,808 or 23.9% from the prior year.
- Expenses for the Authority were \$676,643 for the year ended December 31, 2013. This was an increase of \$50,232 or 8.0% over the prior year.
- Tenant revenue for the Authority was \$413,008 for the year ended December 31, 2013, an increase of \$13,121 or 3.3% over the prior year. HUD operating grants for the Authority was \$112,032 for the year ended December 31, 2013. This was a decrease of \$76,693 or 40.6% from the prior year. HUD capital grants were \$15,638 for the year ended December 31, 2013. This was a decrease of \$83,782 or 84.3% 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2013**

**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 Position 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 Changes in Net Position. 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, 2013 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, 2013**

**FINANCIAL ANALYSIS**

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the table below, assets exceeded liabilities by \$2,427,671 at the close of the year ended December 31, 2013, down from \$2,464,583 in fiscal year 2012. The decrease in net position of \$36,912 was due to the reasons noted below.

- Current assets include cash, receivables, prepaid expenses, and inventory. Of the \$93,105 increase in this category, cash and investments increased \$80,498, receivables increased \$12,302, prepaid expenses decreased \$38, and inventory increased \$343.
- Other assets include investment in joint ventures and decreased \$31 from FY 2012.
- Capital assets decreased \$116,740 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 increased \$13,246 from FY 2012 primarily due to an increase in accounts payable of \$15,932 which was mainly due to an increase in utility bills owed at fiscal year-end.

**CONDENSED STATEMENTS OF NET POSITION**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>ASSETS</b>				
Current assets	\$ 965,651	\$ 872,546	\$ 93,105	10.7%
Other assets	40,318	40,349	(31)	-0.1%
Capital assets, net	1,477,967	1,594,707	(116,740)	-7.3%
<b>TOTAL ASSETS</b>	<u>\$ 2,483,936</u>	<u>\$ 2,507,602</u>	<u>\$ (23,666)</u>	-0.9%
<b>LIABILITIES</b>				
Current liabilities	\$ 56,265	\$ 43,019	\$ 13,246	30.8%
<b>TOTAL LIABILITIES</b>	<u>56,265</u>	<u>43,019</u>	<u>13,246</u>	30.8%
<b>NET POSITION</b>				
Net investment in capital assets	1,477,967	1,594,707	(116,740)	-7.3%
Unrestricted	949,704	869,876	79,828	9.2%
<b>TOTAL NET POSITION</b>	<u>\$ 2,427,671</u>	<u>\$ 2,464,583</u>	<u>\$ (36,912)</u>	-1.5%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2013**

**FINANCIAL ANALYSIS (CONTINUED)**

The unrestricted net position was \$949,704 as of December 31, 2013. 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 position classified as restricted that is 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 position. The same situation held true for the prior fiscal year.

The largest portion of the Authority's net position 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 Position shows the change in financial position of net assets, the Statements of Changes in Net Position 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 \$167,808 due to the reasons noted below.

- Tenant revenue increased \$13,121 or 3.3% mostly due to an increase in average rental charge per unit of \$8.42 or 3.1%.
- Of the \$76,693 decrease in operating grants, public housing operating subsidy decreased \$30,768 and capital fund grants used for operating expenditures decreased \$45,925.
- Interest earnings decreased \$2,111 from FY 2012 mainly due lower interest rates on deposit accounts.
- Capital grants decreased \$83,782 from FY 2012. 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 \$3,044 from FY 2012.
- The Authority had a loss on disposal of capital assets of \$15,299 in FY 2013.

Total expenses increased \$50,232 due to the reasons noted below.

- Administrative expense increased \$22,251 or 15.8% from FY 2012 mostly due to an increase in office expenses of \$8,303 and an increase in other administrative expenses of \$16,078.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2013**

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENT OF  
CHANGES IN NET POSITION**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>REVENUES</b>				
Operating - non-operating - capital contributions:				
Tenant revenue	\$ 413,008	\$ 399,887	\$ 13,121	3.3%
HUD PHA operating grants	112,032	188,725	(76,693)	-40.6%
Interest & investment earnings	2,045	4,156	(2,111)	-50.8%
HUD PHA capital grants	15,638	99,420	(83,782)	-84.3%
Other revenues	7,311	10,355	(3,044)	-29.4%
Gain (loss) on sale of capital assets	(15,299)	-	(15,299)	-100.0%
<b>TOTAL REVENUES</b>	<u>534,735</u>	<u>702,543</u>	<u>(167,808)</u>	<u>-23.9%</u>
<b>EXPENSES</b>				
Administrative	163,083	140,832	22,251	15.8%
Tenant services	5,415	5,179	236	4.6%
Utilities	113,663	96,366	17,297	17.9%
Ordinary maintenance	161,023	160,616	407	0.3%
General expenses	41,110	41,592	(482)	-1.2%
Nonroutine maintenance	4,000	-	4,000	100.0%
Depreciation	188,349	181,826	6,523	3.6%
<b>TOTAL EXPENSES</b>	<u>676,643</u>	<u>626,411</u>	<u>50,232</u>	<u>8.0%</u>
<b>CHANGES IN NET POSITION</b>	<u>(141,908)</u>	<u>76,132</u>	<u>(218,040)</u>	
<b>NET POSITION - BEG OF YEAR</b>	2,464,583	2,388,451	76,132	
Prior period adjustments	104,996	-	104,996	
<b>NET POSITION - BEG OF YEAR, Adjusted</b>	<u>2,569,579</u>	<u>2,388,451</u>	<u>181,128</u>	
<b>NET POSITION - END OF YEAR</b>	<u>\$ 2,427,671</u>	<u>\$ 2,464,583</u>	<u>\$ (36,912)</u>	

- Tenant services increased \$236 or 4.6% from FY 2012.
- Of the \$17,297 increase in utilities, water increased \$3,797 or 14.8%, electricity increased \$10,127 or 17.8%, and gas increased \$3,373 or 24.5%
- Ordinary maintenance increased \$407 or 0.3% from FY 2012.
- General expenses decreased \$482 or 1.2% from FY 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2013**

**FINANCIAL ANALYSIS (CONTINUED)**

- The Authority had nonroutine maintenance of \$4,000 in FY 2013 for a physical needs assessment.
- The Authority had a \$6,523 or 3.6% increase in Depreciation which is the write-off of capital assets over their estimated useful life.

The Low Rent Public Housing occupancy rate for fiscal year December 31, 2013 was 98.9%, same as FY 2012. The Authority currently has 118 Public Housing units.

**CAPITAL ASSETS**

*Capital Assets* - The Kendallville Housing Authority investment in capital assets, as of December 31, 2013 amounts to \$1,477,967 (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 7.3% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues were \$86,908 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 \$188,349. 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	\$1,594,707	\$86,908	\$(188,349)	\$(15,299)	\$1,477,967

**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 2014 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**December 31, 2013**

**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 Andrea Pyle, Interim Executive Director, Kendallville Housing Authority, 240 Angling Road, Kendallville, Indiana 46755, telephone number (260) 347-1091.

**FINANCIAL STATEMENTS**

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

STATEMENT OF NET POSITION  
DECEMBER 31, 2013

ASSETS

Current Assets

Cash and cash equivalents	\$	913,089
Restricted cash and cash equivalents		31,510
Accounts receivable, net		12,566
Prepaid expenses		5,494
Inventory		2,992
Total Current Assets		965,651

Capital Assets

Land and other nondepreciable assets		388,549
Depreciable capital assets, net		1,089,418
Total Capital Assets		1,477,967

Noncurrent Assets

Investments in joint ventures		40,318
Total Noncurrent Assets		40,318

Total Assets		2,483,936
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LIABILITIES

Current liabilities

Accounts payable		20,408
Accrued liabilities		3,845
Deferred revenue		502
Payable from restricted cash and cash equivalents:		
Tenants security deposits		31,510
Total Current Liabilities		56,265

Net Position

Investment in capital assets		1,477,967
Unrestricted		949,704
Total Net Position	\$	2,427,671

The accompanying notes are an integral part of these financial statements

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

STATEMENT OF CHANGES IN NET POSITION  
DECEMBER 31, 2013

<u>OPERATING REVENUES</u>	
Rental income	\$ 413,008
Other income	7,311
	420,319
<b>TOTAL OPERATING REVENUE</b>	
 <u>OPERATING EXPENSES</u>	
Administrative	163,083
Tenant services	5,415
Utilities	113,663
Ordinary maintenance and operation	165,023
General expense	41,110
Depreciation expense	188,349
	676,643
<b>TOTAL OPERATING EXPENSES</b>	
 OPERATING INCOME (LOSS)	 (256,324)
 <u>NONOPERATING REVENUES (EXPENSES)</u>	
Federal operating grants	112,032
Interest income	2,045
Gain (loss) on disposal of capital assets	(15,299)
	98,778
<b>TOTAL NONOPERATING REVENUES</b>	
 Net income before capital contributions	 (157,546)
 CAPITAL CONTRIBUTIONS	
	15,638
 CHANGE IN NET POSITION	
	(141,908)
 TOTAL NET POSITION - BEGINNING OF YEAR, as originally stated	
	2,464,583
 Prior period adjustments	
	104,996
 TOTAL NET POSITION - END OF YEAR, as restated	
	\$ 2,427,671

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	407,889
Payments to vendors		(262,549)
Payments to employees		(212,676)
Net Cash Used by Operating Activities		<u>(67,336)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received		<u>112,032</u>
Net Cash From Noncapital Financing Activities		<u>112,032</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received		15,638
Purchase of capital assets		<u>(86,908)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities		<u>(71,270)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income		2,045
Investment in joint ventures		31
Purchase of investments		<u>230,118</u>
Net Cash From Investing Activities		<u>232,194</u>

Net Increase (Decrease) in Cash and Cash Equivalents		205,620
Cash - Beginning of year		<u>738,979</u>
Cash - End of year	\$	<u><u>944,599</u></u>

Reconciliation of Cash		
Unrestricted	\$	913,089
Restricted		<u>31,510</u>
	\$	<u><u>944,599</u></u>

Continued

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)

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

Operating income (loss)	\$	(256,324)
Adjustments to reconcile net income to net cash		
Provided by operating activities:		
Depreciation		188,349
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		(12,302)
Prepaid expenses		38
Inventory		(343)
Increase (Decrease) in:		
Accounts payable		15,738
Accrued liabilities		(2,364)
Deferred revenue		(128)
Net Cash Flows Provided (Used) by Operating Activities	\$	<u>(67,336)</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, 2013

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.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources are included in the Statement of Net Position. The Statement of Changes in Net Position present increases (revenues) and decreases (expenses) in net position. Under the Accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

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

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 position categories:

**Investment in Capital Assets:** 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 position 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 positions that are not subject to externally imposed stipulations. Unrestricted net position 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.

**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 Low Income 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.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)

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

**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.

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.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

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

**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.

**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.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)

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, 2013, 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.

B. **Credit Risk:** This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

C. **Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

At December 31, 2013, the carrying amount of the Authority's deposits was \$994,599. 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.

Deposits consist of the following:

Checking accounts	\$ 583,073
Certificates of Deposit	<u>361,526</u>
Total	<u>\$ 994,599</u>

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

NOTE 3 - Accounts Receivable:

Accounts receivables at December 31, 2013 consist of the following:

Miscellaneous accounts receivable, net of allowance of \$6,293	\$	0
Accounts receivable tenants, net of allowance of \$966		30
Accrued interest receivable		398
HUD		<u>12,138</u>
 Total		 <u>\$ 12,566</u>

NOTE 4 - Prepaid Expenses:

Prepaid Expenses at December 31, 2013 consist of the following:

Prepaid insurance and other prepaid assets	<u>\$ 5,494</u>
--	-----------------

NOTE 5 - Inventory:

Inventory at December 31, 2013, consist of the following:

Inventory, net of allowance of \$1,000	<u>\$ 2,992</u>
--	-----------------

NOTE 6 - Capital Assets:

	Beginning Balance 12/31/12	Increases	Decreases	Transfers	Ending Balance 12/31/13
Capital assets, not being depreciated:					
Land	\$ 388,549	\$ 0	\$ ( 0)	\$ 0	\$ 388,549
Construction in Progress	<u>79,252</u>	<u>15,638</u>	<u>0</u>	<u>( 94,890)</u>	<u>0</u>
Total Capital Assets, Not being depreciated	<u>467,801</u>	<u>15,638</u>	<u>( 0)</u>	<u>( 94,890)</u>	<u>388,549</u>
Capital Assets, being depreciated:					
Buildings & Improvements	5,321,747	15,822	( 0)	94,890	5,432,459
Furniture, Equipment & Machinery	<u>345,536</u>	<u>55,448</u>	<u>(54,333)</u>	<u>0</u>	<u>346,651</u>
Total Capital Assets, being depreciated	<u>5,667,283</u>	<u>71,270</u>	<u>(54,333)</u>	<u>94,890</u>	<u>5,779,110</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	( 4,269,825)	(176,740)	0	0	( 4,446,565)
Furniture, Equipment and Machinery	<u>( 270,552)</u>	<u>( 11,609)</u>	<u>39,034</u>	<u>0</u>	<u>( 243,127)</u>
Total Accumulated Depreciation:	<u>( 4,540,377)</u>	<u>(188,349)</u>	<u>39,034</u>	<u>0</u>	<u>( 4,689,692)</u>

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE  
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)

NOTE 6 - Capital Assets: (Continued)

Total Capital Assets, being depreciated, net	<u>1,126,906</u>	<u>(117,079)</u>	<u>( 15,299)</u>	<u>94,890</u>	<u>1,089,418</u>
Capital Assets, Net	<u>\$ 1,594,707</u>	<u>\$(101,441)</u>	<u>\$ (15,299)</u>	<u>\$ 0</u>	<u>\$ 1,477,967</u>

Major construction renovation through the Capital Fund Program costs of \$82,517 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, 2013, was \$188,349.

NOTE 7 - Investments in Joint Ventures:

Investments at December 31, 2013 consist of the following:

Partnership Kendallville limited partnership. \$ 40,318

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, 2013 consist of the following:

Vendors' Accounts Payable \$ 20,408

NOTE 9 - Accrued Liabilities:

Accrued liabilities at December 31, 2013, consist of the following:

Accrued wages \$ 3,845

NOTE 10 - Deferred Revenue:

Deferred revenue at December 31, 2013 consists of the following:

Pre-Paid Rent \$ 502

NOTE 11 - Economic Dependency:

The Authority receives approximately 24% 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, 2013

(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 \$150,619. During the year ended December 31, 2013, the Authority's required and actual contributions amounted to \$12,426, which was 8.25% of its current-year covered payroll in the amount of \$150,619. The employees contributed \$4,518.

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, 2013  
(Continued)

NOTE 13 - Commitments and Contingencies:

Litigation: At December 31, 2013, 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, 2013.

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, 2013. 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 - Prior Period Adjustment:

The Housing Authority has recorded a prior period adjustment of \$104,996. After 3 changes in Executive Directors during the year a Certificate of Deposit. in the Housing Authority's name, was found that the former management and fee accountant did not know about. It is not known if the bank was sending statements on the certificate of deposit.

SUPPLEMENTAL FINANCIAL INFORMATION

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

COMBINING SCHEDULE OF PROGRAM NET POSITION  
DECEMBER 31, 2013

	Annual Contributions Contracts	
	C-2000	C-2000
	Low Income Public Housing	Capital Fund
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash and cash equivalents	\$ 556,095	\$ 0
Restricted cash and cash equivalents	31,510	0
Accounts receivable, net	12,407	0
Prepaid expenses	5,494	0
Inventory	2,992	0
<b>Total Current Assets</b>	<b>608,498</b>	<b>0</b>
<b><u>Capital Assets</u></b>		
Land and other nondepreciable assets	388,549	0
Depreciable capital assets, net	1,089,418	0
<b>Total Capital Assets</b>	<b>1,477,967</b>	<b>0</b>
<b><u>Noncurrent Assets</u></b>		
Investment in joint ventures	0	0
<b>Total Noncurrent Assets</b>	<b>0</b>	<b>0</b>
<b>Total Assets</b>	<b>2,086,465</b>	<b>0</b>
<b><u>LIABILITIES</u></b>		
<b><u>Current liabilities</u></b>		
Accounts payable	20,408	0
Accrued liabilities	3,845	0
Deferred revenue	502	0
Payable from restricted cash and and cash equivalents:		
Tenants security deposits	31,510	0
<b>Total Current Liabilities</b>	<b>56,265</b>	<b>0</b>
<b><u>Net Position</u></b>		
Investment in capital assets	1,477,967	0
Unrestricted	552,233	0
<b>Total Net Position</b>	<b>\$ 2,030,200</b>	<b>\$ 0</b>

<u>Housing Development Corporation</u>	<u>Interfund Elimination</u>	<u>Total</u>
\$ 356,994	\$ 0	\$ 913,089
0	0	31,510
159	0	12,566
0	0	5,494
0	0	2,992
<u>357,153</u>	<u>0</u>	<u>965,651</u>
0	0	388,549
<u>0</u>	<u>0</u>	<u>1,089,418</u>
<u>0</u>	<u>0</u>	<u>1,477,967</u>
40,318	0	40,318
<u>40,318</u>	<u>0</u>	<u>40,318</u>
<u>397,471</u>	<u>0</u>	<u>2,483,936</u>
0	0	20,408
0	0	3,845
0	0	502
<u>0</u>	<u>0</u>	<u>31,510</u>
<u>0</u>	<u>0</u>	<u>56,265</u>
0	0	1,477,967
<u>397,471</u>	<u>0</u>	<u>949,704</u>
<u>\$ 397,471</u>	<u>\$ 0</u>	<u>\$ 2,427,671</u>

KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

COMBINING SCHEDULE OF PROGRAM CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Annual Contributions Contracts	
	C-2000	C-2000
	Low Income Public Housing	Capital Fund
<u>OPERATING REVENUES</u>		
Rental income	\$ 413,008	\$ 0
Other income	7,311	0
<b>TOTAL OPERATING REVENUE</b>	<b>420,319</b>	<b>0</b>
<u>OPERATING EXPENSES</u>		
Administrative	163,083	0
Tenant services	5,415	0
Utilities	113,663	0
Ordinary maintenance and operation	165,023	0
General expense	41,110	0
Depreciation expense	188,349	0
<b>TOTAL OPERATING EXPENSES</b>	<b>676,643</b>	<b>0</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(256,324)</b>	<b>0</b>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Federal operating grants	98,881	13,151
Interest income	612	0
Gain on disposal of capital assets	(15,299)	0
<b>TOTAL NONOPERATING REVENUES</b>	<b>84,194</b>	<b>13,151</b>
<b>Net income before capital contributions</b>	<b>(172,130)</b>	<b>13,151</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>0</b>	<b>15,638</b>
<b>CHANGE IN NET POSITION</b>	<b>(172,130)</b>	<b>28,789</b>
TOTAL NET POSITIOIN - BEGINNING OF YEAR, as originally stated	2,068,545	0
Prior period adjustments	133,785	(28,789)
<b>TOTAL NET POSITION - BEGINNING OF YEAR, as restated</b>	<b>2,202,330</b>	<b>(28,789)</b>
<b>TOTAL NET POSITION - END OF YEAR</b>	<b>\$ 2,030,200</b>	<b>\$ 0</b>

Housing  
Development  
Corporation

Total

\$	0	\$	413,008
	<u>0</u>		<u>7,311</u>
	0		<u>420,319</u>

0	163,083
0	5,415
0	113,663
0	165,023
0	41,110
<u>0</u>	<u>188,349</u>
0	<u>676,643</u>

<u>0</u>	<u>(256,324)</u>
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0	112,032
1,433	2,045
<u>0</u>	<u>(15,299)</u>
<u>1,433</u>	<u>98,778</u>

<u>1,433</u>	<u>(157,546)</u>
--------------	------------------

<u>0</u>	<u>15,638</u>
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1,433	(141,908)
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396,038	2,464,583
<u>0</u>	<u>104,996</u>

<u>396,038</u>	<u>2,569,579</u>
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<u>\$ 397,471</u>	<u>\$ 2,427,671</u>
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KENDALLVILLE HOUSING AUTHORITY  
Kendallville, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>501-12</u>
1. The Capital Fund Grant Costs are as follows:	
Funds Approved	\$ 106,749
Funds Expended	<u>106,749</u>
Excess (Deficiency) of funds approved	\$ <u><u>0</u></u>
Funds Advanced	\$ 106,749
Funds Expended	<u>106,749</u>
Excess (Deficiency) of funds advanced	\$ <u><u>0</u></u>

1. Cost additions totaling \$13,273.21 were incurred for the year and accordingly were audited by Goldie Roberts, 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: 12/31/2013

	Project Total	6.2 Component Unit - Blended	Subtotal	ELIM	Total
111 Cash - Unrestricted					
112 Cash - Restricted - Modernization and Development	\$556,095	\$356,994	\$913,089		\$913,089
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits	\$31,510		\$31,510		\$31,510
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$587,605	\$356,994	\$944,599	\$0	\$944,599
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$12,138		\$12,138		\$12,138
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$996	\$6,293	\$6,293		\$6,293
126.1 Allowance for Doubtful Accounts - Tenants	\$996		\$996		\$996
126.2 Allowance for Doubtful Accounts - Other	-\$966		-\$966		-\$966
127 Notes, Loans, & Mortgages Receivable - Current	\$0	-\$6,293	-\$6,293		-\$6,293
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable	\$239	\$159	\$398		\$398
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$12,407	\$159	\$12,566	\$0	\$12,566
131 Investments - Unrestricted					
132 Investments - Restricted	\$0	\$0	\$0		\$0
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$5,494		\$5,494		\$5,494
143 Inventories	\$3,992		\$3,992		\$3,992
143.1 Allowance for Obsolete Inventories	-\$1,000		-\$1,000		-\$1,000
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$608,498	\$357,153	\$965,651	\$0	\$965,651
161 Land					
162 Buildings	\$388,549		\$388,549		\$388,549
163 Furniture, Equipment & Machinery - Dwellings	\$5,432,459		\$5,432,459		\$5,432,459
164 Furniture, Equipment & Machinery - Administration	\$126,127		\$126,127		\$126,127
165 Leasehold Improvements	\$206,854	\$13,670	\$220,524		\$220,524
166 Accumulated Depreciation	-\$4,676,022	-\$13,670	-\$4,689,692		-\$4,689,692
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,477,967	\$0	\$1,477,967	\$0	\$1,477,967
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					
180 Total Non-Current Assets	\$1,477,967	\$40,318	\$1,518,285	\$0	\$1,518,285
190 Total Assets	\$2,086,465	\$397,471	\$2,483,936	\$0	\$2,483,936
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	\$2,086,465	\$397,471	\$2,483,936	\$0	\$2,483,936

311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$2,765		\$2,765		\$2,765
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$3,845		\$3,845		\$3,845
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	\$31,510		\$31,510		\$31,510
342 Unearned Revenue	\$502		\$502		\$502
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other	\$17,643		\$17,643		\$17,643
347 Inter Program - Due To					
348 Loan Liability - Current					
310 Total Current Liabilities	\$56,265	\$0	\$56,265	\$0	\$56,265
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
300 Total Liabilities	\$56,265	\$0	\$56,265	\$0	\$56,265
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	\$1,477,967		\$1,477,967		\$1,477,967
511.4 Restricted Net Position					
512.4 Unrestricted Net Position	\$552,233	\$397,471	\$949,704		\$949,704
513 Total Equity - Net Assets / Position	\$2,030,200	\$397,471	\$2,427,671	\$0	\$2,427,671
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$2,086,465	\$397,471	\$2,483,936	\$0	\$2,483,936

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: 12/31/2013

	Project Total	6.2 Component Unit - Blended	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$395,307		\$395,307		\$395,307
70400 Tenant Revenue - Other	\$17,701		\$17,701		\$17,701
70500 Total Tenant Revenue	\$413,008	\$0	\$413,008	\$0	\$413,008
70600 HUD PHA Operating Grants	\$112,032		\$112,032		\$112,032
70610 Capital Grants	\$15,638		\$15,638		\$15,638
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	\$612	\$1,433	\$2,045		\$2,045
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	\$7,311		\$7,311		\$7,311
71600 Gain or Loss on Sale of Capital Assets	-\$15,299		-\$15,299		-\$15,299
72000 Investment Income - Restricted					
70000 Total Revenue	\$533,302	\$1,433	\$534,735	\$0	\$534,735
91100 Administrative Salaries	\$76,614		\$76,614		\$76,614
91200 Auditing Fees	\$4,644		\$4,644		\$4,644
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing	\$4,224		\$4,224		\$4,224
91500 Employee Benefit Contributions - Administrative	\$27,498		\$27,498		\$27,498
91600 Office Expenses	\$23,150		\$23,150		\$23,150
91700 Legal Expense	\$4,014		\$4,014		\$4,014
91800 Travel	\$6,861		\$6,861		\$6,861
91810 Allocated Overhead					
91900 Other	\$16,078		\$16,078		\$16,078
91000 Total Operating - Administrative	\$163,083	\$0	\$163,083	\$0	\$163,083
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$5,415		\$5,415		\$5,415
92500 Total Tenant Services	\$5,415	\$0	\$5,415	\$0	\$5,415
93100 Water	\$29,529		\$29,529		\$29,529
93200 Electricity	\$67,006		\$67,006		\$67,006
93300 Gas	\$17,128		\$17,128		\$17,128
93400 Fuel					
93500 Labor					
93600 Sewer					
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$113,663	\$0	\$113,663	\$0	\$113,663

94100 Ordinary Maintenance and Operations - Labor	\$79,766		\$79,766		\$79,766
94200 Ordinary Maintenance and Operations - Materials and Other	\$21,130		\$21,130		\$21,130
94300 Ordinary Maintenance and Operations Contracts	\$31,329		\$31,329		\$31,329
94500 Employee Benefit Contributions - Ordinary Maintenance	\$28,798		\$28,798		\$28,798
94000 Total Maintenance	\$161,023	\$0	\$161,023	\$0	\$161,023
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
96110 Property Insurance	\$20,844		\$20,844		\$20,844
96120 Liability Insurance	\$2,623		\$2,623		\$2,623
96130 Workmen's Compensation	\$3,817		\$3,817		\$3,817
96140 All Other Insurance	\$1,766		\$1,766		\$1,766
96100 Total Insurance Premiums	\$29,050	\$0	\$29,050	\$0	\$29,050
96200 Other General Expenses	\$95		\$95		\$95
96210 Compensated Absences	\$8,983		\$8,983		\$8,983
96300 Payments in Lieu of Taxes					
96400 Bad debt - Tenant Rents	\$2,982		\$2,982		\$2,982
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$12,060	\$0	\$12,060	\$0	\$12,060
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
96900 Total Operating Expenses	\$484,294	\$0	\$484,294	\$0	\$484,294
97000 Excess of Operating Revenue over Operating Expenses	\$49,008	\$1,433	\$50,441	\$0	\$50,441
97100 Extraordinary Maintenance	\$4,000		\$4,000		\$4,000
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments					
97350 HAP Portability-In					
97400 Depreciation Expense	\$188,349		\$188,349		\$188,349
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$676,643	\$0	\$676,643	\$0	\$676,643
10010 Operating Transfer In	\$13,151		\$13,151	-\$13,151	\$0
10020 Operating transfer Out	-\$13,151		-\$13,151	\$13,151	\$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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$143,341	\$1,433	-\$141,908	\$0	-\$141,908

11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$2,068,545	\$0	\$2,068,545	\$2,068,545
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$104,996	\$396,038	\$501,034	\$501,034
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				
11180 Housing Assistance Payments Equity				
11190 Unit Months Available	1416		1416	1416
11210 Number of Unit Months Leased	1400		1400	1400
11270 Excess Cash	\$503,390		\$503,390	\$503,390
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$73,274		\$73,274	\$73,274
11630 Furniture & Equipment - Dwelling Purchases	\$3,570		\$3,570	\$3,570
11640 Furniture & Equipment - Administrative Purchases	\$10,063		\$10,063	\$10,063
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

# Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 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*

## Independent Auditor's Report

Board of Commissioners  
Housing Authority of the City of Kendallville  
625 52nd Street  
Kenosha, WI 53140

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, 2013, 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 May 20, 2014.

### 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*.

**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.

*Goldie Roberts*

Certified Public Accountant

Fredericksburg, Indiana  
May 20, 2014