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July 7, 2016

Board of Commissioners
City of 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, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's opinion, the financial statements included in the report present fairly the financial condition of the City of Kendallville Housing Authority, as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE

AUDITED FINANCIAL STATEMENTS

Kendallville, Indiana

December 31, 2015

Goldie Roberts

Certified Public Accountant

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

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404-297-9881

HOUSING AUTHORITY
OF THE
CITY OF KENDALLVILLE

Kendallville, Indiana
DECEMBER 31, 2015

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	i
<u>FINANCIAL STATEMENTS</u>	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Fund Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	7
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of the Authority's Proportionate Share of the Net Pension Liability	22
Schedule of the Authority's Contributions	23
<u>SUPPLEMENTAL FINANCIAL INFORMATION</u>	
Combining Schedule of Program Net Position	24
Combining Schedule of Program Revenues, Expenses and Changes in Fund Net Position	25
Statement and Certification of Actual Capital Fund Grant Costs-Completed	26
Financial Data Schedule	27
Notes to Supplemental Financial Information	32
<u>OTHER REPORTS</u>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33
Schedule of Findings and Responses	35

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

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

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 Position as of December 31, 2015, and the related Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the year then ended, and the related Notes to the Financial Statements, which collectively comprise the Housing Authority of the City of Kendallville's financial statements as listed in the table of contents.

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, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of the Authority's Contributions on pages 22 through 23 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.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

In regard to, the Financial Data Schedule and the other supplemental information as listed in the table of contents, 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. Such 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 Financial Data Schedule and the other supplemental information as listed in the table of contents 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 April 21, 2016 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.


Certified Public Accountant

Fredericksburg, Indiana
April 21, 2016

**KENDALLVILLE HOUSING AUTHORITY
KENDALLVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

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, 2015. 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, 2015 was \$2,327,871. The net position decreased by \$131,985, a decrease of 5.4% from the prior year.
- Revenues for the Authority were \$712,284 for the year ended December 31, 2015. This was an increase of \$31,891 or 4.7% over the prior year.
- Expenses for the Authority were \$674,507 for the year ended December 31, 2015. This was an increase of \$26,299 or 4.1% over the prior year.
- Tenant revenue for the Authority was \$448,174 for the year ended December 31, 2015, an increase of \$12,326 or 2.8% over the prior year. HUD operating grants for the Authority was \$96,406 for the year ended December 31, 2015. This was a decrease of \$110,404 or 53.4% from the prior year. HUD capital grants were \$164,730 for the year ended December 31, 2015. This was an increase of \$133,786 or 423.3% 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
DECEMBER 31, 2015

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 Revenues, Expenses and Changes in Fund 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, 2015 and is required to be included in the audit reporting package.

**KENDALLVILLE HOUSING AUTHORITY
KENDALLVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

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 \$2,327,871 at the close of the year ended December 31, 2015, down from \$2,459,856 in fiscal year 2014. The decrease in net position of \$131,985 was due to the reasons noted below.

- Current assets include cash, receivables, prepaid expenses, and inventory. Of the \$87,428 decrease in this category, cash and investments increased \$15,416, receivables decreased \$101,382, prepaid expenses increased \$1,320, and inventory decreased \$2,782.
- Other assets include investment in joint ventures and decreased \$8 from FY 2014.
- Capital assets increased \$53,564 because current year capital asset additions exceeded current year depreciation. Change in capital assets is explained in section titled "Capital Assets" of this analysis.
- Deferred outflow of resources were \$51,837 as of December 31, 2015, due to the GASB 68 implementation.
- Current liabilities increased \$943 from FY 2014.

CONDENSED STATEMENTS OF NET POSITION

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
ASSETS				
Current assets	\$ 997,611	\$ 1,085,039	\$ (87,428)	-8.1%
Other assets	40,300	40,308	(8)	0.0%
Capital assets, net	<u>1,442,654</u>	<u>1,389,090</u>	53,564	3.9%
TOTAL ASSETS	<u>2,480,565</u>	<u>2,514,437</u>	<u>(33,872)</u>	-1.3%
 Deferred Outflow of Resources	 <u>51,837</u>	 <u>-</u>	 <u>51,837</u>	 100.0%
 LIABILITIES				
Current liabilities	55,524	54,581	943	1.7%
Noncurrent liabilities	<u>129,111</u>	<u>-</u>	<u>129,111</u>	100.0%
TOTAL LIABILITIES	<u>184,635</u>	<u>54,581</u>	<u>130,054</u>	238.3%
 Deferred Inflow of Resources	 <u>19,896</u>	 <u>-</u>	 <u>19,896</u>	 100.0%
 NET POSITION				
Investment in capital assets	1,442,654	1,389,090	53,564	3.9%
Unrestricted	<u>885,217</u>	<u>1,070,766</u>	<u>(185,549)</u>	-17.3%
TOTAL NET POSITION	<u>\$ 2,327,871</u>	<u>\$ 2,459,856</u>	<u>\$ (131,985)</u>	-5.4%

**KENDALLVILLE HOUSING AUTHORITY
KENDALLVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

FINANCIAL ANALYSIS (CONTINUED)

- Noncurrent liabilities increased \$129,111 from FY 2014 due to an increase in net pension liability.
- Deferred inflow of resources were \$19,896 as of December 31, 2015.

The unrestricted net position was \$885,217 as of December 31, 2015. 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 position, the Statements of Revenues, Expenses and Changes in Fund 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 increased \$31,891 due to the reasons noted below.

- Tenant revenue increased \$12,326 or 2.8% from FY 2014 primarily due to an increase in average dwelling rent charge per unit of \$7.48 or 2.5%.
- Of the \$110,404 decrease in operating grants, public housing operating subsidy decreased \$9,345 and capital fund grants used for operating expenditures decreased \$101,059.
- Interest earnings decreased \$6,290 from FY 2014.
- Capital grants increased \$133,786 from FY 2014. 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 \$81 from FY 2014.
- The Authority had a loss on disposal of capital assets of \$2,554 in FY 2014.

**KENDALLVILLE HOUSING AUTHORITY
KENDALLVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENT OF
CHANGES IN NET POSITION**

	FY 2015	FY 2014	Dollar Change	Percent Change
REVENUES				
Operating - non-operating - capital contributions:				
Tenant revenue	\$ 448,174	\$ 435,848	\$ 12,326	2.8%
HUD PHA operating grants	96,406	206,810	(110,404)	-53.4%
Interest & investment earnings	2,943	9,233	(6,290)	-68.1%
HUD PHA capital grants	164,730	30,944	133,786	432.3%
Other revenues	31	112	(81)	-72.3%
Gain (loss) on sale of capital assets	-	(2,554)	2,554	100.0%
TOTAL REVENUES	712,284	680,393	31,891	4.7%
EXPENSES				
Administrative	150,052	155,175	(5,123)	-3.3%
Tenant services	3,973	3,974	(1)	0.0%
Utilities	111,067	106,026	5,041	4.8%
Ordinary maintenance	220,967	186,030	34,937	18.8%
General expenses	48,533	47,291	1,242	2.6%
Depreciation	139,915	149,712	(9,797)	-6.5%
TOTAL EXPENSES	674,507	648,208	26,299	4.1%
CHANGES IN NET POSITION	37,777	32,185	5,592	
NET POSITION - BEG OF YEAR	2,459,856	2,427,671	32,185	
Change in accounting principle	(169,762)	-	(169,762)	
NET POSITION - BEG OF YEAR, Adjusted	2,290,094	2,427,671	(137,577)	
NET POSITION - END OF YEAR	\$ 2,327,871	\$ 2,459,856	\$ (131,985)	

Total expenses increased \$26,299 due to the reasons noted below.

- Administrative expense decreased \$5,123 or 3.3% from FY 2014 mostly due to decreases in office expenses of \$2,888, advertising of \$2,581, legal expenses of \$2,163 and travel expenses of \$9,756. This was partially offset by an increase in administrative benefits of \$11,511.
- Tenant services decreased \$1 from FY 2014.
- Of the \$5,041 increase in utilities, water decreased \$670 or 2.2%, electricity increased \$10,644 or 19.6%, and gas decreased \$4,933 or 22.9%

**KENDALLVILLE HOUSING AUTHORITY
KENDALLVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

FINANCIAL ANALYSIS (CONTINUED)

- Ordinary maintenance increased \$34,937 or 18.8% from FY 2014 mainly due to an increase in maintenance labor and benefits of \$25,533 or 19.4% and an increase in contracted maintenance services of \$10,261 or 32.1%.
- General expenses increased \$1,242 or 2.6% from FY 2014.
- The Authority had a \$9,797 or 6.5% decrease 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, 2015 was 98.7%, up slightly from 98.4% in FY 2014. The Authority currently has 118 Public Housing units.

CAPITAL ASSETS

Capital Assets - The Kendallville Housing Authority investment in capital assets, as of December 31, 2015 amounts to \$1,442,654 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, equipment, construction in progress, and accumulated depreciation.

The total increase in the Authority's investment in capital assets for the current fiscal year was 3.9% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues were \$193,479 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 \$139,915. Additional information on the Authority's capital assets can be found in the notes to the financial statements.

	Beginning	Additions	Depreciation	Ending
Capital assets	\$1,389,090	\$193,479	\$ (139,915)	\$1,442,654

**KENDALLVILLE HOUSING AUTHORITY
KENDALLVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

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 2016 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 Andrea Pyle, 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, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$	953,888
Restricted cash and cash equivalents		35,209
Accounts receivable, net		1,057
Prepaid expenses		4,472
Inventory		2,985
Total Current Assets		997,611

Capital Assets

Land and other nondepreciable assets		388,730
Depreciable capital assets, net		1,053,924
Total Capital Assets		1,442,654

Noncurrent Assets

Investments in joint ventures		40,300
Total Noncurrent Assets		40,300

Total Assets

2,480,565

Deferred outflow of resources

Pension related		51,837
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Total Assets and Deferred Outflow of Resources

2,532,402

LIABILITIES

Current liabilities

Accounts payable		12,769
Accrued liabilities		7,198
Unearned revenue		348
Payable from restricted cash and cash equivalents:		
Tenants security deposits		35,209
Total Current Liabilities		55,524

Noncurrent liabilities

Net Pension Liability		129,111
Noncurrent Liabilities		129,111

Total Liabilities

184,635

Deferred inflow of resources

Pension related		19,896
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Investment in capital assets

1,442,654

Unrestricted

885,217

Total Net Position

\$ 2,327,871

The accompanying notes are an integral part of these financial statements

KENDALLVILLE HOUSING AUTHORITY
Kendallville, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

DECEMBER 31, 2015

OPERATING REVENUES

Rental income	\$ 448,174
Other income	31

TOTAL OPERATING REVENUE 448,205

OPERATING EXPENSES

Administrative	159,215
Tenant services	3,973
Utilities	111,067
Ordinary maintenance and operation	220,967
General expense	39,370
Depreciation expense	139,915

TOTAL OPERATING EXPENSES 674,507

OPERATING INCOME (LOSS) (226,302)

NONOPERATING REVENUES (EXPENSES)

Federal operating grants	96,406
Interest income	2,943

TOTAL NONOPERATING REVENUES 99,349

Net income before capital contributions (126,953)

CAPITAL CONTRIBUTIONS 164,730

CHANGE IN NET POSITION 37,777

TOTAL NET POSITION - BEGINNING OF YEAR, as originally stated 2,459,856

Change in accounting principle (169,762)

TOTAL NET POSITION - BEGINNING OF YEAR, as restated 2,290,094

TOTAL NET POSITION - END OF YEAR \$ 2,327,871

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	476,995
Payments to vendors		(262,419)
Payments to employees		(269,768)
Net Cash Used by Operating Activities		<u>(55,192)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received		96,406
Net Cash From Noncapital Financing Activities		<u>96,406</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received		164,730
Purchase of capital assets		(193,479)
Net Cash Flows Provided (Used)		<u>(28,749)</u>
by Capital and Related Financing Activities		<u>(28,749)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income		2,943
Investment in joint ventures		8
Net Cash From Investing Activities		<u>2,951</u>

Net Increase (Decrease) in Cash and Cash Equivalents 15,416

Cash - Beginning of year 973,681

Cash - End of year **\$ 989,097**

Reconciliation of Cash		
Unrestricted	\$	953,888
Restricted		<u>35,209</u>
	\$	<u>989,097</u>

Continued

KENDALLVILLE HOUSING AUTHORITY
Kendallville, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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

Operating income (loss)	\$ (226,302)
Adjustments to reconcile net income (loss) to net cash Provided by operating activities:	
Depreciation	139,915
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	101,382
Prepaid expenses	(1,320)
Inventory	2,782
Increase (Decrease) in:	
Accounts payable	(838)
Accrued liabilities	1,570
Unearned revenue	211
Pension liabilities	(72,592)
Net Cash Flows Provided (Used) by Operating Activities	\$ <u>(55,192)</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, 2015

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: The 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. The criteria for inclusion as a component unit include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Accordingly Kendallville Affordable Housing, Inc. 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.

	Kendallville Housing Authority	Kendallville Affordable Housing Inc.	Total
<u>Condensed Statement of Net Position</u>			
Current assets	\$ 629,944	\$ 367,667	\$ 997,611
Capital and Other assets	1,442,654	40,300	1,482,954
Deferred Inflow	51,837	0	51,837
Total assets and inflows	<u>2,124,435</u>	<u>407,967</u>	<u>2,532,402</u>
Current liabilities	55,524	0	55,524
Non current liabilities	129,111	0	129,635
Total liabilities	184,635	0	184,635
Deferred Outflows	19,896	0	19,896
Investment in capital assets	1,442,654	0	\$ 1,442,654
Unrestricted	447,250	407,967	885,217
Total Net Position	<u>\$ 1,919,904</u>	<u>\$ 407,967</u>	<u>\$ 2,327,871</u>

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

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

	Kendallville Housing Authority	Kendallville Affordable Housing Inc.	Total
<u>Condensed Statement of Revenues, Expenses and Changes in Net Position</u>			
Operating revenues	\$ 448,205	\$ 0	\$ 448,205
Operating expense	(534,592)	0	(534,592)
Depreciation expense	(139,915)	0	(139,915)
Nonoperating revenue	97,112	2,237	99,349
Capital contributions	164,730	0	164,730
Change in net position	35,540	2,237	37,777
Net Position, beginning of year	2,054,126	405,730	2,459,856
Change in Accounting Principle	(169,762)	0	(169,762)
Net Position, end of year	\$ <u>1,919,904</u>	\$ <u>407,967</u>	\$ <u>2,327,871</u>

<u>Condensed Statement of Cash Flows</u>			
Net Cash Used by Operating Activities	\$ (55,192)	\$ 0	\$ (55,192)
Net Cash From Noncapital Financing Activities	96,406	0	96,406
Net Cash Flows Used by Capital and Related Financing Activities	(28,749)	0	28,749
Net Cash From Investing Activities	714	2,237	2,951
Net Decrease in Cash and Cash Equivalents	13,179	2,237	15,416
Cash - Beginning of year	608,265	365,416	973,681
Cash - End of year	\$ <u>621,444</u>	\$ <u>367,653</u>	\$ <u>989,097</u>

Activities of the Housing Authority:

At December 31, 2015, the Housing Authority had 118 units in management and was administering other programs as listed below:

Management

Low-Income Public Housing	118
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Other Programs

Capital Fund Programs
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, 2015
(Continued)

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

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 Revenues, Expenses and Changes in Fund 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.

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.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Continued)

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

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. 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

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Continued)

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

Capital Assets: (Continued)

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.

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.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

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

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, 2015, 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.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Continued)

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

At December 31, 2015, the carrying amount of the Authority's deposits was \$989,097. 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	\$ 730,892
Certificates of Deposit	<u>258,205</u>
 Total	 <u>\$ 989,097</u>

NOTE 3 - Accounts Receivable:

Accounts receivables at December 31, 2015 consist of the following:

Miscellaneous accounts receivable, net of allowance of \$6,293	\$ 0
Accounts receivable tenants, net of allowance of \$621	621
Accrued interest receivable	<u>436</u>
 Total	 <u>\$ 1,057</u>

NOTE 4 - Prepaid Expenses:

Prepaid Expenses at December 31, 2015 consist of the following:

Prepaid insurance and other prepaid assets	<u>\$ 4,472</u>
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NOTE 5 - Inventory:

Inventory at December 31, 2015, consist of the following:

Inventory, net of allowance of \$2,063	<u>\$ 2,985</u>
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NOTE 6 - Capital Assets:

	Beginning Balance 12/31/14	Increases	Decreases	Transfers	Ending Balance 12/31/15
Capital assets, not being depreciated:					
Land	\$ 388,549	\$ 0	\$ 0	\$ 0	\$ 388,549
Construction in Progress	<u>18,341</u>	<u>0</u>	<u>0</u>	<u>(18,160)</u>	<u>181</u>
Total Capital Assets, Not being depreciated	<u>406,890</u>	<u>0</u>	<u>0</u>	<u>(18,160)</u>	<u>388,730</u>

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 6 - Capital Assets: (Continued)

Capital Assets, being depreciated:					
Buildings & Improvements	5,472,264	175,673	0	18,160	5,666,097
Furniture, Equipment & Machinery	<u>313,979</u>	<u>8,967</u>	<u>0</u>	<u>0</u>	<u>322,946</u>
Total Capital Assets, being depreciated	<u>5,786,243</u>	<u>184,640</u>	<u>0</u>	<u>18,160</u>	<u>5,989,043</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	(4,559,746)	(109,258)	0	0	(4,669,004)
Furniture, Equipment and Machinery	<u>(244,297)</u>	<u>(30,657)</u>	<u>0</u>	<u>8,859</u>	<u>(266,115)</u>
Total Accumulated Depreciation:	<u>(4,804,043)</u>	<u>(139,915)</u>	<u>0</u>	<u>8,859</u>	<u>(4,935,119)</u>
Total Capital Assets, being depreciated, net	<u>982,200</u>	<u>44,725</u>	<u>0</u>	<u>27,019</u>	<u>1,053,924</u>
Capital Assets, Net	<u>\$ 1,389,090</u>	<u>\$ 44,725</u>	<u>\$ 0</u>	<u>\$ 8,859</u>	<u>\$ 1,442,654</u>

Major construction renovation through the Capital Fund Program costs of \$84,774 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, 2015, was \$139,915.

NOTE 7 - Pension Plan:

Description of Pension Plan

The Housing Authority of the City of Kendallville (Housing Authority) participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Indiana Employees' Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective as of July 1, 2011.

INPRS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes:
 - State employees
 - Local employees
- Police and Firemen
- Judges

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 7 - Pension Plan: (Continued)

Substantially all public employees in Indiana are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected. Those employees participating in the Pension Plan for the Housing Authority are included in the Local employees group. INPRS issues a stand-alone comprehensive annual financial report, which is available on the INPRS website at www.INPRS.org.

Benefits

Benefits are established by statute and may only be changed by the General Assembly. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85. Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Indiana Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Indiana, for all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Indiana Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Indiana legislation established statutory limits on increases in contribution rates for INPRS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 0.9% of total payroll for the fiscal year ended June 30, 2014.

The actuarially determined employer contribution rates and the statutory contribution rates for local employees are 9.77% and 8.84%, respectively. Member contribution rates as a percentage of eligible compensation for the fiscal year ended June 30, 2014 are 4.00%, 5.00%, or 6.00% for local employees.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

(Continued)

NOTE 7 - Pension Plan: (Continued)

Employer Allocations

Although INPRS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, INPRS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The allocation percentages for the Housing Authority's share of the collective pension amounts as of June 30, 2015 and 2014 was based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2015 and 2014, respectively.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2014, the Housing Authority's proportion was 0.00134%, which was an increase of 0.00103% from its proportion measured at June 30, 2013.

Net Pension Liability

At June 30, 2015 and 2014, the Housing Authority reported a liability of \$129,111 and \$86,196, respectively, for its proportionate share of the net pension liability.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, which was rolled forward to June 30, 2015, using the following actuarial assumptions:

Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00 to 12.50%, including inflation
Long-Term rate of return, net of investment expense, and including price inflation	6.75%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females, with adjustments to better match actual experience. Separate tables apply for males and females as well as each group (State, Local, KP&F and Judges).

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 7 - Pension Plan: (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study conducted for three years ending June 30, 2010.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Long-Term Target Allocations	Long-Term Expected Real Rate of Return
Global equity	47%	6%
Fixed income	14%	0.85%
Yield driven	8%	5.50%
Real return	11%	3.75%
Real estate	11%	6.65%
Alternatives	8%	9.50%
Short-term investments	1%	0%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected INPRS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police & Firemen, and Judges. Future employer contribution rates were also modeled for Police & Firemen and Judges, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 7 - Pension Plan: (Continued)

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the Housing Authority's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	Discount rate (6.75%)	1% Increase (7.75%)
\$190,450	\$129,111	\$78,189

Pension Expense

For the year ended June 30, 2015, the Housing Authority recognized pension expense of \$5,630, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	\$5,542	\$267
Net differences between projected and actual investment earnings on pension plan investments	\$21,770	\$12,142
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$10,914	\$7,487
Contributions made after plan year end	\$13,611	\$0
Total	\$51,837	\$19,896

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction of the NPL in 2105:

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 7 - Pension Plan: (Continued)

Amortization of net deferred outflows/(inflows) of resources - debit/(credit)	
2016	\$7,222
2017	\$7,222
2018	\$3,772
2019	\$5,442
2020	\$0
Thereafter	\$23,658

The information presented above has not been audited.

NOTE 8 - Investments in Joint Ventures:

Investments at December 31, 2015 consist of the following:

Partnership Kendallville limited partnership. \$ 40,300

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 9 - Accounts Payable:

Accounts payable at December 31, 2015 consist of the following:

Vendors' Accounts Payable \$ 12,769

NOTE 10 - Accrued Liabilities:

Accrued liabilities at December 31, 2015, consist of the following:

Accrued compensated absences and wages \$ 7,198

NOTE 11 - Unearned Revenue:

Unearned revenue at December 31, 2015 consists of the following:

Pre-Paid Rent \$ 348

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 12 - Accounting Changes/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

Net position December 31, 2014, as previously reported	\$ 2,459,856
Net pension liability at June 30, 2014	129,111
Deferred outflows of resources related to contributions made after the June 30, 2014 measurement date	<u>40,651</u>
Net position December 31, 2014 as restated	<u>\$ 1,298,988</u>

NOTE 13 - Federal Operating Grants:

HUD contributed operating subsidies approved in the operating budgets under the Annual Contributions Contract. These subsidy contributions for the operating year ended December 31, 2015 were as follows:

Low Rent Public Housing	<u>\$ 96,406</u>
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NOTE 14 - Federal Capital Grants:

The Authority receives federal capital grants from HUD for capital fund program improvements. Capital grants recognized for the fiscal year ended December 31, 2015 were \$164,730.

NOTE 15 - Economic Dependency:

The Authority receives approximately 37% 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, 2015
(Continued)

NOTE 16 - Commitments and Contingencies:

Litigation: At December 31, 2015, 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, 2015.

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, 2015. 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.

REQUIRED SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Authority's Proportionate Share of the Net Pension Liability

INPRS Pension Plan
Last Ten Fiscal Years*

	<u>2014</u>	<u>2015</u>
Housing Authority of the City of Kendallville proportion of the net pension liability	.00328	.00317
Housing Authority of the City of Kendallville proportionate share of the net pension liability	9,034	\$20,396
Housing Authority of the City of Kendallville covered employee payroll	160,068	\$152,074
Housing Authority of the City of Kendallville proportionate share of the net pension liability as a percentage of it's covered employee payroll	.05644	.13411

Note: Additional years information will be presented when available.

* The amounts for each fiscal year were determined as of 6/30/

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE HOUSING AUTHORITY of the City of Kendallville CONTRIBUTIONS

INPRS Pension Plan
Last Ten Fiscal Years*

	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$12,072	\$13,705
Contributions in relation to the contractually required contribution	\$12,072	\$13,075
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Housing Authority of the City of Kendallville covered employee payroll	\$160,068	\$152,074
Contributions as a percentage of covered employee payroll	7.542%	9.012%

Note: Additional years information will be presented when available.

* The amounts for each fiscal year were determined as of 6/30/

SUPPLEMENTAL FINANCIAL INFORMATION

KENDALLVILLE HOUSING AUTHORITY
Kendallville, Indiana

COMBINING SCHEDULE OF PROGRAM NET POSITION

DECEMBER 31, 2015

	Annual Contributions Contracts	
	C-2000	C-2000
	Low	
	Income	
	Public	Capital
	Housing	Fund
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 586,482	\$ 0
Restricted cash and cash equivalents	35,209	0
Accounts receivable, net	796	0
Prepaid expenses	4,472	0
Inventory	2,985	0
Total Current Assets	629,944	0
<u>Capital Assets</u>		
Land and other nondepreciable assets	388,730	0
Depreciable capital assets, net	1,053,924	0
Total Capital Assets	1,442,654	0
<u>Noncurrent Assets</u>		
Investment in joint ventures	0	0
Total Noncurrent Assets	0	0
<u>Deferred outflow of resources</u>		
Pension related	51,837	0
Total Assets and Deferred Outflow of Resources	2,124,435	0
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	12,769	0
Accrued liabilities	7,198	0
Unearned revenue	348	0
Payable from restricted cash and and cash equivalents:		
Tenants security deposits	35,209	0
Total Current Liabilities	55,524	0
<u>Noncurrent Liabilities</u>		
Net Pension Liability	129,111	0
Total Long Term Liabilities	129,111	0
Total liabilities	184,635	0
<u>Deferred inflow of resources</u>		
Pension related	19,896	0
<u>Net Position</u>		
Investment in capital assets	1,442,654	0
Unrestricted	477,250	0
Total Net Position	\$ 1,919,904	\$ 0

Kendallville

Affordable Housing	Interfund Elimination	Total
\$ 367,406	\$ 0	\$ 953,888
0	0	35,209
261	0	1,057
0	0	4,472
0	0	2,985
<u>367,667</u>	<u>0</u>	<u>997,611</u>
0	0	388,730
0	0	1,053,924
<u>0</u>	<u>0</u>	<u>1,442,654</u>
40,300	0	40,300
<u>40,300</u>	<u>0</u>	<u>40,300</u>
0	0	51,837
<u>407,967</u>	<u>0</u>	<u>2,532,402</u>
0	0	12,769
0	0	7,198
0	0	348
0	0	35,209
<u>0</u>	<u>0</u>	<u>55,524</u>
0	0	129,111
0	0	129,111
0	0	184,635
0	0	19,896
0	0	1,442,654
407,967	0	885,217
<u>\$ 407,967</u>	<u>\$ 0</u>	<u>\$ 2,327,871</u>

KENDALLVILLE HOUSING AUTHORITY
Kendallville, Indiana

COMBINING SCHEDULE OF REVENUES, EXPENSES AND PROGRAM CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	Annual Contributions	Contracts
	C-2000	C-2000
	Low	
	Income	
	Public	Capital
	Housing	Fund
<u>OPERATING REVENUES</u>		
Rental income	\$ 448,174	\$ 0
Other income	31	0
TOTAL OPERATING REVENUE	448,205	0
<u>OPERATING EXPENSES</u>		
Administrative	159,215	0
Tenant services	3,973	0
Utilities	111,067	0
Ordinary maintenance and operation	220,967	0
General expense	39,370	0
Depreciation expense	139,915	0
TOTAL OPERATING EXPENSES	674,507	0
 OPERATING INCOME (LOSS)	 (226,302)	 0
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Federal operating grants	96,406	0
Interest income	706	0
Gain on disposal of capital assets	0	0
TOTAL NONOPERATING REVENUES	97,112	0
 Net income before capital contributions	 (129,190)	 0
 Operating transfers	 164,730	 (164,730)
 CAPITAL CONTRIBUTIONS	 0	 164,730
 CHANGE IN NET POSITION	 35,540	 0
 TOTAL NET POSITION - BEGINNING OF YEAR, as originally stated	 2,054,126	 0
 Change in accounting principle	 (169,762)	 0
 TOTAL NET POSITION - BEGINNING OF YEAR, as restated	 1,884,364	 0
 TOTAL NET POSITION - END OF YEAR	 \$ 1,919,904	 \$ 0

Kendallville
Affordable
Housing

Total

\$	0	\$	448,174
	0		31
	<u>0</u>		<u>448,205</u>
	0		159,215
	0		3,973
	0		111,067
	0		220,967
	0		39,370
	0		139,915
	<u>0</u>		<u>674,507</u>
	<u>0</u>		<u>(226,302)</u>
	0		96,406
	2,237		2,943
	0		0
	<u>2,237</u>		<u>99,349</u>
	<u>2,237</u>		<u>(126,953)</u>
	0		0
	0		164,730
	<u>2,237</u>		<u>37,777</u>
	405,730		2,459,856
	0		(169,762)
	<u>405,730</u>		<u>2,290,094</u>
\$	<u>407,967</u>	\$	<u>2,327,871</u>

KENDALLVILLE HOUSING AUTHORITY
Kendallville, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2015

501-13

1. The Capital Fund Grant Costs are as follows:

Funds Approved	\$	97,403
Funds Expended		<u>97,403</u>
Excess (Deficiency) of funds approved	\$	<u>0</u>
Funds Advanced	\$	97,403
Funds Expended		<u>97,403</u>
Excess (Deficiency) of funds advanced	\$	<u>0</u>

1. Cost additions totaling 51,373 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 Single Audit

Fiscal Year End: 12/31/2015

	Project Total	6.2 Component Unit - Blended	Subtotal	Total
111 Cash - Unrestricted	\$480,698	\$214,985	\$695,683	\$695,683
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted				
114 Cash - Tenant Security Deposits	\$35,209		\$35,209	\$35,209
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$515,907	\$214,985	\$730,892	\$730,892
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	\$1,242		\$1,242	\$1,242
126.1 Allowance for Doubtful Accounts -Tenants	-\$621		-\$621	-\$621
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	\$175	\$261	\$436	\$436
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$796	\$261	\$1,057	\$1,057
131 Investments - Unrestricted	\$105,784	\$152,421	\$258,205	\$258,205
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$4,472		\$4,472	\$4,472
143 Inventories	\$5,048		\$5,048	\$5,048
143.1 Allowance for Obsolete Inventories	-\$2,063		-\$2,063	-\$2,063
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$629,944	\$367,667	\$997,611	\$997,611
161 Land	\$388,549		\$388,549	\$388,549
162 Buildings	\$5,666,097		\$5,666,097	\$5,666,097
163 Furniture, Equipment & Machinery - Dwellings	\$122,297		\$122,297	\$122,297
164 Furniture, Equipment & Machinery - Administration	\$187,131	\$13,518	\$200,649	\$200,649
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$4,921,601	-\$13,518	-\$4,935,119	-\$4,935,119
167 Construction in Progress	\$181		\$181	\$181
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,442,654	\$0	\$1,442,654	\$1,442,654
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		\$40,300	\$40,300	\$40,300
180 Total Non-Current Assets	\$1,442,654	\$40,300	\$1,482,954	\$1,482,954
200 Deferred Outflow of Resources	\$51,837		\$51,837	\$51,837
290 Total Assets and Deferred Outflow of Resources	\$2,124,435	\$407,967	\$2,532,402	\$2,532,402

311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$3,509		\$3,509	\$3,509
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$7,198		\$7,198	\$7,198
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	\$35,209		\$35,209	\$35,209
342 Unearned Revenue	\$348		\$348	\$348
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	\$9,260		\$9,260	\$9,260
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$55,524	\$0	\$55,524	\$55,524
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	\$129,111		\$129,111	\$129,111
350 Total Non-Current Liabilities	\$129,111	\$0	\$129,111	\$129,111
300 Total Liabilities	\$184,635	\$0	\$184,635	\$184,635
400 Deferred Inflow of Resources	\$19,896		\$19,896	\$19,896
508.4 Net Investment in Capital Assets	\$1,442,654		\$1,442,654	\$1,442,654
511.4 Restricted Net Position				
512.4 Unrestricted Net Position	\$477,250	\$407,967	\$885,217	\$885,217
513 Total Equity - Net Assets / Position	\$1,919,904	\$407,967	\$2,327,871	\$2,327,871
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,124,435	\$407,967	\$2,532,402	\$2,532,402

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2015

	Project Total	6.2 Component Unit - Blended	Subtotal	Total
70300 Net Tenant Rental Revenue	\$427,888		\$427,888	\$427,888
70400 Tenant Revenue - Other	\$20,286		\$20,286	\$20,286
70500 Total Tenant Revenue	\$448,174	\$0	\$448,174	\$448,174
70600 HUD PHA Operating Grants	\$96,406		\$96,406	\$96,406
70610 Capital Grants	\$164,730		\$164,730	\$164,730
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$706	\$2,237	\$2,943	\$2,943
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	\$31		\$31	\$31
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$710,047	\$2,237	\$712,284	\$712,284
91100 Administrative Salaries	\$69,974		\$69,974	\$69,974
91200 Auditing Fees	\$4,784		\$4,784	\$4,784
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing	\$52		\$52	\$52
91500 Employee Benefit contributions - Administrative	\$42,786		\$42,786	\$42,786
91600 Office Expenses	\$18,715		\$18,715	\$18,715
91700 Legal Expense	\$3,496		\$3,496	\$3,496
91800 Travel	\$2,060		\$2,060	\$2,060
91810 Allocated Overhead				
91900 Other	\$8,185		\$8,185	\$8,185
91000 Total Operating - Administrative	\$150,052	\$0	\$150,052	\$150,052
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other	\$3,973		\$3,973	\$3,973
92500 Total Tenant Services	\$3,973	\$0	\$3,973	\$3,973
93100 Water	\$29,453		\$29,453	\$29,453
93200 Electricity	\$65,035		\$65,035	\$65,035
93300 Gas	\$16,579		\$16,579	\$16,579
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$111,067	\$0	\$111,067	\$111,067

94100 Ordinary Maintenance and Operations - Labor	\$98,232		\$98,232	\$98,232
94200 Ordinary Maintenance and Operations - Materials and Other	\$21,751		\$21,751	\$21,751
94300 Ordinary Maintenance and Operations Contracts	\$42,208		\$42,208	\$42,208
94500 Employee Benefit Contributions - Ordinary Maintenance	\$58,776		\$58,776	\$58,776
94000 Total Maintenance	\$220,967	\$0	\$220,967	\$220,967
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
96110 Property Insurance	\$26,432		\$26,432	\$26,432
96120 Liability Insurance	\$2,884		\$2,884	\$2,884
96130 Workmen's Compensation	\$2,810		\$2,810	\$2,810
96140 All Other Insurance	\$1,578		\$1,578	\$1,578
96100 Total insurance Premiums	\$33,704	\$0	\$33,704	\$33,704
96200 Other General Expenses				
96210 Compensated Absences	\$9,163		\$9,163	\$9,163
96300 Payments in Lieu of Taxes				
96400 Bad debt - Tenant Rents	\$5,666		\$5,666	\$5,666
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$14,829	\$0	\$14,829	\$14,829
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
96900 Total Operating Expenses	\$534,592	\$0	\$534,592	\$534,592
97000 Excess of Operating Revenue over Operating Expenses	\$175,455	\$2,237	\$177,692	\$177,692
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments				
97350 HAP Portability-In				
97400 Depreciation Expense	\$139,915		\$139,915	\$139,915
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$674,507	\$0	\$674,507	\$674,507
10010 Operating Transfer In				
10020 Operating transfer Out				
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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$35,540	\$2,237	\$37,777	\$37,777

11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$2,054,126	\$405,730	\$2,459,856	\$2,459,856
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$169,762		-\$169,762	-\$169,762
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	1398		1398	1398
11270 Excess Cash	\$522,414		\$522,414	\$522,414
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$175,873		\$175,873	\$175,873
11630 Furniture & Equipment - Dwelling Purchases	\$3,775		\$3,775	\$3,775
11640 Furniture & Equipment - Administrative Purchases	\$13,831		\$13,831	\$13,831
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

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE A - Financial Data Schedule:

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants, revenue, gains and losses on the disposal of capital assets in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the financial statements.

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
240 Angling Road
Kendallville, IN 46755

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, 2015, 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 21, 2016.

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
April 21, 2016

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
Kendallville, Indiana

DECEMBER 31, 2015

SCHEDULE OF FINDINGS AND RESPONSES

PRIOR YEAR FINDINGS

There were no prior year findings.

CURRENT YEAR FINDINGS

There are no current year findings.