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July 29, 2021

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

We have reviewed the audit report of the City of Kendallville Housing Authority, which was opined upon by Barry E. Gaudette, CPA, Independent Public Accountant, for the period January 1, 2020 to December 31, 2020. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the City of Kendallville Housing Authority, as of December 31, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts.

The audit report 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
KENDALLVILLE, INDIANA
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020
AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Housing Authority of the City of Kendallville
Kendallville, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Kendallville, Indiana, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Kendallville's basic 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we 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 entity'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 entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Kendallville, Indiana, as of December 31, 2020, and the respective 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 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Kendallville, Indiana's basic financial statements. The financial data schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial data schedule on pages 31-34 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has not presented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2021, on our consideration of the Housing Authority of the City of Kendallville, Indiana's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Kendallville, Indiana's 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 the Housing Authority of the City of Kendallville, Indiana's internal control over financial reporting and compliance.

Barry E. Gaudette, CPA, PC

June 10, 2021

**Housing Authority of the City of Kendallville
Management’s Discussion and Analysis (MD&A)
December 31, 2020
(Unaudited)**

As management of the Housing Authority of the City of Kendallville, we offer reviewers of this audit report this narrative discussion and analysis of the Housing Authority of the City of Kendallville’s financial activities for the fiscal year ended December 31, 2020. This discussion and analysis letter of the Housing Authority of the City of Kendallville’s financial performance should be read in conjunction with the auditor’s opinion letter and the following financial statements.

The combined financial statements reflect all of the Housing Authority’s federally funded programs and activities in one place. The Housing Authority reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for “business-type activities” – activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term “net position” refers to the difference between assets and liabilities. The Housing Authority’s total net position as of December 31, 2020 was \$2,431,434. The net position increased by \$192,354, an increase of 8.6% over the prior fiscal year.

Revenues and contributions for the Housing Authority were \$854,279 for the year ended December 31, 2020. This was an increase of \$200,003 or 30.5% over the prior fiscal year.

Expenses for the Housing Authority were \$661,925 for the year ended December 31, 2020. This was a decrease of \$1,032 or 0.2% from the prior fiscal year.

HUD operating grants were \$137,268 for the year ended December 31, 2020. This was a decrease of \$12,476 or 8.3% from the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Housing Authority’s financial statements are presented as fund financial statements because the Housing Authority only has proprietary funds.

**Housing Authority of the City of Kendallville
Management's Discussion and Analysis (MD&A)
December 31, 2020
(Continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Required Financial Statements

The *Statement of Net Position* includes the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Housing Authority creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Housing Authority.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the success of the Housing Authority's operations over the past year and can be used to determine whether the Housing 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.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Authorities to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

FUND STATEMENTS

The Financial Data Schedule reports the Housing Authority's operations in more detail. The Housing Authority reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Housing Authority of the City of Kendallville
Management's Discussion and Analysis (MD&A)
December 31, 2020
(Continued)**

FUND STATEMENTS (Continued)

Low Rent Public Housing Program: Under this program, the Housing Authority rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Authority to lease these units at a rate that is based on 30% of the household income or a flat rent.

Capital Fund Program: Under this program, the Housing Authority is awarded funds each year to use for Capital needs. The Housing Authority is awarded funds each year to use for Capital needs. The Housing Authority also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies, since the Housing Authority is considered a "small" PHA. This program is the primary funding source for physical improvements to its properties.

Kendallville Housing Finance Corporation: Accounts for activities of the Kendallville Housing Finance Corporation which is to promote and advance decent, safe and sanitary housing for person of low income, particularly low income families of Kendallville and County of Noble in Indiana. To assist the Housing Authority of Kendallville by borrowing and lending funds to finance the development of low income housing projects which have been approved by the Authority.

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$2,431,434 at the close of the year ended December 31, 2020 an increase from \$2,239,080 in 2019.

The unrestricted net position was \$873,540 as of December 31, 2020. It can be used to meet the Housing Authority's ongoing obligations. At the end of the current fiscal year, the Housing Authority is able to report positive balances in all categories of net position.

**Housing Authority of the City of Kendallville
Management's Discussion and Analysis (MD&A)
December 31, 2020
(Continued)**

FINANCIAL ANALYSIS (Continued)

CONDENSED STATEMENTS OF NET POSITION

	12/31/20	12/31/19	Dollar Change
Current and other assets	\$ 1,025,167	\$ 1,113,791	\$ (88,624)
Capital assets, net	1,557,894	1,336,368	221,526
Non-current assets	45,480	0	45,480
Deferred outflow of resources	17,547	13,540	4,007
Total Assets	<u>2,646,088</u>	<u>2,463,699</u>	<u>182,389</u>
Current liabilities	68,791	71,989	(3,198)
Noncurrent liabilities	115,871	122,798	(6,927)
Deferred inflow of resources	29,992	29,832	160
Total Liabilities	<u>214,654</u>	<u>224,619</u>	<u>(9,965)</u>
Net Position:			
Net Investment in capital assets	1,557,894	1,336,368	221,526
Restricted net position	0	78,599	(78,599)
Unrestricted net position	873,540	824,113	49,427
Total Net Position	<u>\$ 2,431,434</u>	<u>\$ 2,239,080</u>	<u>\$ 192,354</u>

Total current assets decrease of \$88,624 was due, in large part, to a decrease in operating cash flows of \$85,410.

The largest portion of the Housing Authority's net position reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Housing 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 Net Position provides answers as to the nature and source of these changes.

**Housing Authority of the City of Kendallville
Management's Discussion and Analysis (MD&A)
December 31, 2020
(Continued)**

FINANCIAL ANALYSIS (Continued)

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

	<u>12/31/20</u>	<u>12/31/19</u>	<u>Dollar Change</u>
Revenues and contributions			
Operating, non-operating, capital contributions:			
Tenant Revenue	\$ 473,292	\$ 452,796	\$ 20,496
HUD operating grants	137,268	149,744	(12,476)
Capital grants	243,686	44,989	198,697
Investment income	2,538	7,520	(4,982)
Loss of sale of asset	(2,505)	(773)	(1,732)
Total Revenues and Contributions	<u>854,279</u>	<u>654,276</u>	<u>200,003</u>
Expenses			
Personnel services	276,101	264,550	11,551
Tenant services	3,476	4,159	(683)
Utilities	125,990	119,616	6,374
Maintenance	40,571	58,785	(18,214)
Insurance	32,368	38,370	(6,002)
General expenses	62,816	58,209	4,607
Depreciation	120,603	119,268	1,335
Total Expenses	<u>661,925</u>	<u>662,957</u>	<u>(1,032)</u>
Other income and expense	<u>0</u>	<u>43,216</u>	<u>(43,216)</u>
Change in net position	192,354	34,535	157,819
Beginning net position	2,239,080	2,263,720	(24,640)
Prior period adjustment	0	(59,175)	59,175
Ending net position	<u>\$ 2,431,434</u>	<u>\$ 2,239,080</u>	<u>\$ 192,354</u>

Revenues:

As can be seen in the above table total revenues and contributions increased by \$200,003, in large part, due to capital grants increasing by \$198,697.

Housing Authority of the City of Kendallville's primary revenue sources are subsidies and grants received by HUD, as well as tenant revenue. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. The Housing Authority classified 100% of capital grants as hard costs for the current year. For the year ending December 31, 2020, revenue generated by the Housing Authority accounted for \$473,292 (or 55.4% of total revenue), while HUD contributions accounted for \$380,954 (or 44.5% of total revenue).

**Housing Authority of the City of Kendallville
Management's Discussion and Analysis (MD&A)
December 31, 2020
(Continued)**

Expenses:

Total expenses for the fiscal year ending December 31, 2020 were \$661,925 while for the year ending December, 31, 2019 they were \$662,957. This represents an 0.2% decrease in our operating costs. The expenses decreased, in large part, because of a decrease in tenant services of \$683.

The following represents changes in Federal Assistance received:

	<u>12/31/20</u>	<u>12/31/19</u>	<u>Dollar Change</u>
Public Housing Operating Subsidy	\$ 125,270	\$ 112,627	\$ 12,643
Capital Fund Program	243,686	82,106	161,580
Public Housing CARES Act	11,998	0	11,998
Total	<u>\$ 380,954</u>	<u>\$ 194,733</u>	<u>\$ 186,221</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Public Housing increased mainly due to HUD increasing its funding formula amount for the Housing Authority. The Capital Fund Program used more than one year's worth of capital funds in 2020.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the year ending December 31, 2020 was presented to and approved by the Board of Commissioners. Actual results were in line with the budgeted amounts.

OPERATIONAL HIGHLIGHTS

The Housing Authority of the City of Kendallville provided the following housing for low-income individuals and families:

	<u>12/31/20</u>	<u>12/31/19</u>
Low Rent Public Housing Program	118	118

The Housing Authority had a lease up rate of 99.5% in the Low Rent program for the current year.

CAPITAL ASSETS

The Housing Authority of the City of Kendallville's investment in capital assets, as of December 31, 2020 amounts to \$1,557,894 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment. For further detail of capital assets see Note C.

**Housing Authority of the City of Kendallville
Management's Discussion and Analysis (MD&A)
December 31, 2020
(Continued)**

CAPITAL ASSETS (Continued)

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
December 31,**

	2020	2019	Dollar Change
Land	\$ 388,549	\$ 388,549	\$ 0
Buildings	6,365,252	6,023,064	342,188
Furniture, equipment and machinery - dwellings	143,212	139,723	3,489
Furniture, equipment and machinery - administration	175,413	211,493	(36,080)
Construction in progress	0	2,978	(2,978)
	<u>7,072,426</u>	<u>6,765,807</u>	<u>306,619</u>
Accumulated depreciation	<u>(5,514,532)</u>	<u>(5,429,439)</u>	<u>(85,093)</u>
Total	<u>\$ 1,557,894</u>	<u>\$ 1,336,368</u>	<u>\$ 221,526</u>

Capital assets increased by \$221,526 due to capital outlays of \$342,699, disposals of assets of \$(36,080), depreciation of \$(120,603), and an accumulated depreciation adjustment related to the sale of assets of \$35,510.

During the year ending December 31, 2020, our Capital Fund Program was used for exterior improvements, replace flooring, HVAC improvements and repairs, boiler upgrades, new refrigerators in units, and new stoves.

Capital projects planned for the next year include the following:

The planned capital expenditures for the next year will be used for remodeling kitchen and bathrooms.

**Housing Authority of the City of Kendallville
Management's Discussion and Analysis (MD&A)
December 31, 2020
(Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Authority is affected more by the Federal Budget than by local economic conditions.

Although the Housing Authority remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes).

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Andrea Pyle, Executive Director
Housing Authority of the City of Kendallville
240 Angling Road
Kendallville, Indiana 46755-1002

FINANCIAL STATEMENTS

Housing Authority of the City of Kendallville
Statement of Net Position
December 31, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$ 646,998
Accounts receivable- net	106,362
Investments	262,152
Prepaid expenses	5,215
Inventories, net	4,440
Total Current Assets	1,025,167

Capital Assets:

Land	388,549
Buildings	6,365,252
Equipment - Administration	175,413
Equipment - Dwelling	143,212
	7,072,426
Less: accumulated depreciation	(5,514,532)
Net Capital Assets	1,557,894

Investments in Joint Ventures	45,480
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Deferred outflow of resources	17,547
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Total Assets	\$ 2,646,088
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LIABILITIES and NET POSITION

Current Liabilities:

Accounts payable	\$ 5,179
Accrued expenses	20,906
Tenant security deposit liability	39,390
Unearned revenue	3,316
Total Current Liabilities	68,791

Non-Current Liabilities:

Non-current accrued liabilities	13,480
Accrued pension	102,391
	115,871

Total Non-Current Liabilities	115,871
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Total Liabilities	184,662
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Deferred inflow of resources	29,992
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Net Position:

Net investment in capital assets	1,557,894
Unrestricted net position	873,540
Total Net Position	2,431,434

Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 2,646,088
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See notes to financial statements

Housing Authority of the City of Kendallville
Statement of Revenues, Expenses, And
Changes in Net Position
Year Ended December 31, 2020

OPERATING REVENUES:

Dwelling rent	\$	473,292
Operating grants		137,268
		610,560
Total operating revenues		610,560

OPERATING EXPENSES:

Administrative		158,168
Tenant services		13,556
Utilities		125,990
Maintenance		190,371
Insurance		32,368
General expenses		20,869
Depreciation		120,603
		661,925
Total operating expenses		661,925
Operating income (loss)		(51,365)

NONOPERATING REVENUES:

Investment income		2,538
		2,538
Total non-operating revenues		2,538

NONOPERATING EXPENSES:

Loss on sale of asset		(2,505)
		(2,505)
Total non-operating expenses		(2,505)

CAPITAL CONTRIBUTIONS

		243,686
		243,686
Change in net position		192,354
Net Position, beginning		2,239,080
Net Position, ending	\$	2,431,434

See notes to financial statements

Housing Authority of the City of Kendallville
Statement of Cash Flows
Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and non dwelling rents	\$ 475,661
Cash received from operating grants	137,268
Cash payments to other suppliers of goods and services	(320,036)
Cash payments to employees for services	(279,823)
	13,070
Net cash provided by operating activities	13,070

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	1,710
	1,710
Net cash provided by noncapital financing activities	1,710

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Payments for capital acquisitions	(342,129)
Loss on sale of assets	(2,505)
Capital Grants	243,686
	(100,948)
Net cash (used) by capital and related financing activities	(100,948)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(2,862)
Receipt of interest income	3,620
	758
Net cash provided by investing activities	758

Net increase (decrease) in cash	(85,410)
Cash and cash equivalents, beginning	732,408
Cash and cash equivalents, ending	\$ 646,998

See notes to financial statements

Housing Authority of the City of Kendallville
Statement of Cash Flows (Continued)
Year Ended December 31, 2020

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

Operating income (loss)	\$	(51,365)
Adjustments to reconcile operating (loss) to net cash provided (used)		
By operating activities:		
Depreciation		120,603
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable- tenants		540
Allowance for doubtful accounts		100
Inventories		(903)
Deferred outflow of resources		(4,007)
Other assets		(45,480)
Prepaid expenses		5,257
Increase (decrease) in liabilities:		
Accounts payable-trade		(1,770)
Unearned revenue		1,729
Accrued wages/payroll taxes payable		(4,701)
Accrued compensated absences		979
Deferred inflow of resources		160
Accrued pension liabilities		(8,329)
Accrued liabilities-other		257
		257
Net cash provided by operating activities	\$	13,070

See notes to financial statements

Housing Authority of the City of Kendallville
Notes to Financial Statements
December 31, 2020

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the City of Kendallville (“Housing Authority”) is an independent municipal entity created by the City of Kendallville pursuant to Indiana state law and the National Housing Act of 1937. Although the Housing Authority maintains close ties with the City of Kendallville in several respects, the Housing Authority is not a component unit of the City, as defined by the Governmental Accounting Standards Board, since the City is not financially accountable for the operations of the Housing Authority, and has no responsibility to fund its deficits or receive its surpluses. The Housing Authority operates under a Board of Commissioners form of government to provide safe and decent housing for eligible low and moderate income families and elderly individuals. The Board is comprised of five members, all City of Kendallville residents, appointed by the County Board.

1. Reporting Entity

The Housing Authority’s financial statements include the accounts of all of the Housing Authority’s operations, including the blended component unit of Kendallville Housing Finance Corporation.

The accompanying financial statements include the activities of the Kendallville Housing Finance Corporation and it is blended into the enterprise funds. The Kendallville Housing Finance Corporation was organized as a charitable, not-for-profit corporation to act as an instrument of the Kendallville Housing Authority. The purpose of the Corporation is to promote and advance decent, safe and sanitary housing for persons of low income, particularly low income families of Kendallville and County of Noble in Indiana. The Corporation assists the Housing Authority of Kendallville by borrowing and lending funds to finance the development of low income housing projects which have been approved by the Authority.

The Housing Authority maintains its accounting records by program and operates the following programs:

Low Income Public Housing

This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Housing Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and/or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Housing Authority receives grants from HUD to subsidize operating costs. Tenants are charged rents based on a percentage of their incomes. HUD subsidizes 118 federal public housing units through this program.

Public Housing Capital Fund

HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Housing Authority under the Low Income Public Housing Program. A designated portion of these funds may also be used to support operations and to make improvements in the management and operation of the Housing Authority’s Low Income Public Housing Program.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government. Interfund activity has been eliminated in the preparation of these statements.

The Housing Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund.

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Housing Authority are charges to customers for rents. 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.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the nonoperating revenue and expense.

If/when, both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Budgets and Budgetary Accounting

The Housing Authority adopts a formal operating budget each year for its operating programs and on a project-length basis for its capital expenditures, which are approved by the board of Commissioners and submitted to the U.S. Department of Housing and Urban Development for their approval, if required.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts, savings accounts, and certificates of deposits or short term investments with an original maturity of three months or less. The cash equivalents are recorded at cost, which approximates market.

Investments are carried at fair value except for short term U.S. treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price.

7. Tenant Accounts Receivable and Allowance for Bad Debts

Receivables consist of all revenues earned at year end and not yet received. Tenant accounts receivable, accrued interest receivable, and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

8. Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories is recorded as expenditures when consumed, rather than when purchased.

9. Prepaid Expenses

Prepaid expenditures, such as insurance premiums and deferred costs, which are expected to be written off within the next fiscal year, are included in net current assets.

10. Compensated Absences

The Housing Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

11. Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Non-operating revenues and expenses are those that are not operating in nature.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Inter-Program Activity

During the course of operations, transactions occur within individual programs that may result in amounts owed or transfers between programs. Offsetting inter-program receivables and payables as well as offsetting inter-program transfers are eliminated for financial statement presentation. For the year ended December 31, 2020, there were no inter-program receivables and payables and equity transfers of \$240,185.

13. Buildings and Equipment

Buildings and equipment are recorded at historical cost. Costs in excess of \$100 that materially add to the productive capacity and extend the life of an asset longer than one year are capitalized, while maintenance and repair costs are expensed as incurred. Buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	15	-	40 years
Furniture, equipment, and machinery- dwelling	3	-	10 years
Furniture, equipment, and machinery- administrative	3	-	10 years
Leasehold improvements	15	-	40 years

Land and land improvements include approximately \$388,549 of capitalized land that is not subject to depreciation.

14. Income Taxes

The Housing Authority is a quasi-governmental entity. The Housing Authority is not subject to Federal or State income taxes.

15. Use of Estimates

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

16. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will, when applicable, report separate sections for deferred outflows or resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources* a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. Unearned Revenue

The Housing Authority reports unearned revenue in connection with resources that have been received, but not yet earned.

18. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

19. Net Position

Net positions are comprised of three categories (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The Housing Authority's positive value of unrestricted net position in the primary government may be used to meet ongoing obligations. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Housing Authority's policy is to first apply restricted resources. Each component of net position is reported separately on the statement of net position.

- i. Net Investment in capital assets – This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- ii. Restricted – This category equals the restricted cash of the Housing Authority and consists of net position restricted for use by (1) external groups such as grantors, creditors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- iii. Unrestricted – This category includes all of the remaining net position that do not meet the definition of the other two categories.

20. Subsequent Events

The financial statements and related disclosures include evaluation of events through and including June 10, 2021, which is the date the financial statements were available to be issued.

NOTE B: CASH AND CASH EQUIVALENTS

Indiana Code authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Indiana. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Indiana or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Indiana.

The Housing Authority has designated one bank for the deposit of its funds. The Housing Authority's deposits are included on the balance sheet under the classification cash and cash equivalents and consist of the following:

Cash – operations (checking and savings accounts)	\$ 646,998
Certificate of deposit	<u>262,152</u>
Total	<u>\$ 909,150</u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of December 31, 2020:

Bank deposits (checking and savings accounts and certificate of deposit)	\$ 909,050
Petty cash	<u>100</u>
Total	<u>\$ 909,150</u>

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it. At year end, The Housing Authority had no bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Housing Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Housing Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Balance 12/31/19</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 12/31/20</u>
Low Rent Program				
Land	\$ 388,549	\$ 0	\$ 0	\$ 388,549
Buildings	6,023,064	342,188	0	6,365,252
Furniture, equipment & machinery - dwellings	139,723	3,489	0	143,212
Furniture, equipment & machinery - administration	199,370	0	(36,080)	163,290
Construction in progress	2,978	0	(2,978)	0
	<u>6,753,684</u>	<u>\$ 345,677</u>	<u>\$ (39,058)</u>	<u>7,060,303</u>
Less accumulated depreciation	<u>(5,429,439)</u>	<u>\$ (120,603)</u>	<u>\$ 47,633</u>	<u>(5,502,409)</u>
Total	<u>\$ 1,324,245</u>			<u>\$ 1,557,894</u>
 Component Unit				
Furniture, equipment & machinery - administration	12,123	0	0	12,123
	<u>12,123</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>12,123</u>
Less accumulated depreciation	<u>(12,123)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(12,123)</u>
Total	<u>\$ 0</u>			<u>\$ 0</u>
Combined Totals				<u>\$ 1,557,894</u>

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Low Rent Program	\$ 117,102
Capital Fund	<u>3,501</u>
Total	<u>\$ 120,603</u>

NOTE D: NON-CURRENT LIABILITIES

As of December 31, 2020, the non-current liabilities are comprised of the following:

Accrued pension	\$	102,391
Accrued compensated absences		13,480
	\$	<u>115,871</u>

The following is a summary of changes in non-current liabilities for the year ended December 31, 2020:

	<u>Balance 12/31/19</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/20</u>	<u>Amounts Due within One Year</u>
Accrued pension	\$ 110,720	\$ 0	\$ (8,329)	\$ 102,391	\$ 0
Accrued absences	12,078	1,402	(0)	13,480	936
	<u>\$ 122,798</u>	<u>\$ 1,402</u>	<u>\$ (8,329)</u>	<u>\$ 115,871</u>	<u>\$ 936</u>

NOTE E: COMMITMENTS AND CONTINGENCIES

Commitments – Construction

At December 31, 2020, the Housing Authority had the following capital fund grants:

	<u>IN36P036501-18</u>	<u>IN36P036501-19</u>	<u>IN36P036501-20</u>
Funds Approved	\$ 192,128	\$ 201,116	\$ 215,225
Funds Expended	(164,128)	(116,670)	(0)
Excess of Funds Approved	<u>\$ 28,000</u>	<u>\$ 84,446</u>	<u>\$ 215,225</u>
Funds Advanced (HUD Grants)	\$ 164,128	\$ 116,670	\$ 0
Funds Expended	(164,128)	(116,670)	(0)
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Contingencies

The Housing Authority is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

NOTE F: RISK MANAGEMENT

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE G: RETIREMENT PLAN

Description of Pension Plan

PERF DB is a cost-sharing, multiple-employer defined benefit fund providing retirement, disability and survivor benefits to full-time employees of the State of Indiana not covered by another plan and those political subdivisions (counties, cities, townships and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, 5-10.3, 5-10.5, 35 IAC 1.2 and other Indiana pension law. PERF DB is a component of the Public Employees' Hybrid plan (PERF Hybrid).

PERF Hybrid consists of two components: PERF DB, the monthly employer-funded defined benefit component, along with the Public Employees' Hybrid Members Defined Contribution Account (PERF DC), a member-funded account. First time new employees hired by the State or a participating political subdivision who offers a choice, have a one-time election to join either the PERF Hybrid plan or PERF My Choice: Retirement Savings Plan for Public Employees (PERF MC DC). A new hire that is an existing member of PERF Hybrid and was not given the option for the PERF MC DC plan is given the option to elect PERF MC DC or remain in PERF Hybrid.

Eligibility for Pension Benefit Payment

Full Retirement Benefit:

- At age 65 with at least 10 years of creditable service (eight years for certain elected officials).
- At age 60 with at least 15 years of creditable service.
- At age 55 if age and creditable service total at least 85 ("Rule of 85").
- At age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position.
- At age 70 with 20 years of creditable service and still active in the PERF-covered position.

Early Retirement Benefit:

Age 50 and minimum of 15 years of creditable service (44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59).

Disability Benefit:

An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$180 per month).

Survivor Benefit:

If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death.

If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment: Five Year Certain & Life, Joint with 100 percent Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits.

NOTE G: RETIREMENT PLAN (CONTINUED)

Contribution Rates

Contributions are determined by the Board based on an actuarial valuation. Employers contribute 11.2 percent of covered payroll, with 0.43 percent from July 2019 to December 2019 and 0.44 percent from January 2020 to June 2020 funding a supplemental reserve account for postretirement benefits. Contributions from employers with PERF MC DC plan members, who either currently offer or have offered PERF Hybrid, fund PERF DB's unfunded liability at 8.0 percent of covered payroll for the State and 7.3 percent for political subdivisions. No member contributions are required.

Benefit Formula & Postretirement Benefit Adjustment

Lifetime Annual Benefit = Years of Creditable Service x Average Highest Five-Year Annual Salary x 1.1 percent (minimum of \$180 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than \$2,000 received from the employer in severance.

Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12.4 and administered by the Board.

Basis of Accounting

The financial statements of INPRS have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations.

Net Pension Liability

At December 31, 2020 and 2019, the Housing Authority reported a liability of \$102,391 and \$110,720, respectively, for its proportionate share of the net pension liability.

NOTE G: RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

Significant actuarial assumptions and other inputs used to measure the total pension liability:

	2020 Valuation
Type of Plan	The Public Employees' Retirement Fund is a cost-sharing multiple-employer plan for GASB accounting purposes.
Measurement Date	June 30, 2020
Valuation Date	
Assets:	June 30, 2020
Liabilities:	June 30, 2019 – The TPL as of June 30, 2020 was determined based on an actuarial valuation prepared as of June 30, 2019 rolled forward one year to June 30, 2020, using the following key actuarial assumptions and other inputs, such as benefit accruals and actual benefit payments during that time period.
Inflation	2.25%
Future Salary Increases	2.75% - 8.75% based on service
Costs of Living Increases	As of June 30, 2020: In lieu of a COLA on January 1, 2021, members in pay were provided a 13th check on October 1, 2020. Thereafter, the following COLAs, compounded annually, were assumed: 0.4% beginning on January 1, 2022 0.5% beginning on January 1, 2034 0.6% beginning on January 1, 2039 As of June 30, 2019: In lieu of a COLA on January 1, 2020 and January 1, 2021, members in pay were provided a 13th check on October 1, 2019 and October 1, 2020. Thereafter, the following COLAs, compounded annually, were assumed: 0.4% beginning on January 1, 2022 0.5% beginning on January 1, 2034 0.6% beginning on January 1, 2039

Mortality Assumption - Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

Healthy Employees – General Employee table with a 3-year set forward for males and a 1 year set forward for females.

Retirees – General Retiree table with a 3-year set forward for males and a 1 year set forward for females.

Beneficiaries – Contingent Survivor table with no set forward for males and a 2-year set forward for females.

NOTE G: RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Disableds – General Disabled table with a 140% load

Experience Study - The most recent comprehensive experience study, based on member experience between June 30, 2014 and June 30, 2019, was completed in February 2020. The demographic assumptions were approved by the Board in June 2020 and were updated as appropriate based on the results of the study for this June 30, 2020 actuarial valuation.

Discount Rate - 6.75%, net of investment expenses

The discount rate is equal to the expected long-term rate of return on plan investments, net of investment expense and including price inflation. There was no change in the discount rate from the prior measurement date.

The INPRS Board of Trustees has established a funding policy of setting the employer contribution rate equal to the greater of 11.2% (the current contribution rate) or a rate equal to the actuarially determined contribution rate, which is based on the assumptions and methods selected by the Board for the annual actuarial valuations and projected covered member payroll. The June 30, 2020 actuarial valuation assumes a long-term rate of return on assets of 6.75%, a 20-year level dollar closed method for amortizing the future layers of unfunded actuarial accrued liability (30 years for amortization layers established prior to June 30, 2016), and a 5-year smoothing method for recognizing investment gains and losses in the actuarial value of assets.

In the past several years, the Board has followed its current funding policy and the State has complied in its contributions to the plan. Therefore, if past practice is continued, the appropriations will be sufficient to fully fund the plan within 20 to 30 years. In the past, deterministic projections have shown the actuarially determined contribution rate to reach a peak of 10.9% which is slightly below the current rate. As a result, it is presumed that the projected plan assets will be sufficient to cover the future benefit payments for current members.

Discount Rate Sensitivity

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%)
\$166,933	\$102,391	\$48,333

NOTE G: RETIREMENT PLAN (CONTINUED)***Pension Expense***

For the year ended December 31, 2020, the Housing Authority recognized pension expense of \$3,713, 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 - debit	Deferred inflows of resources - credit
Differences between expected and actual experience	\$ 1,814	\$ 1,375
Net differences between projected and actual	8,763	0
Change of Assumptions	0	21,334
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,345	7,283
Total	<u>\$ 11,922</u>	<u>\$ 29,992</u>

Contributions Shown by INPRS (reflects impact of any accruals): \$20,495

**Amortization of net deferred outflows/(inflows)
of resources – debit/(credit)**

2021	(14,887)
2022	(5,616)
2023	(1,290)
2024	3,723
Thereafter	0
Total	<u>\$ (18,070)</u>

Net pension liability as of 2019	\$ 110,720
Activity in FY 2020	
Differences between expected and actual experience	(2,493)
Net differences between projected and actual investment	13,996
Change of assumptions	(9,323)
Changes in proportion and differences between employer contributions	6,273
Pension Expense/Income	3,713
Contributions	<u>(20,495)</u>
Net pension liability as of 2020	<u>\$ 102,391</u>

The information presented above has not been audited.

OTHER INFORMATION

Independent Accountant’s Report on Applying Agreed-Upon Procedure

To the Board of Commissioner
Kendallville Housing Authority

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Kendallville Housing Authority (the “Authority”) and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), on whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of the Authority and the U.S. Department of Housing and Urban Development, PIH-REAC. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the “UFRS Rule information” column with the corresponding printed documents listed in the “Hard Copy Documents” column. The associated findings from the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission of the items listed in the “UFRS Rule Information” column agrees with the related hard copy documents within the audit reporting package. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

We were engaged to perform an audit in accordance with the audit requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, for the Kendallville Housing Authority as of and for the year ended December 31, 2020, and have issued our reports thereon dated June 10, 2021. The information in the “Hard Copy Documents” column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated June 10, 2021, was expressed in relation to the basic financial statements of the Authority taken as a whole.

Independent Accountant's Report on Applying Agreed-Upon Procedure

Page Two

A copy of the reporting package required by OMB Uniform Administrative Requirements, which includes the auditor's reports, is available in its entirety from the Kendallville Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

The purpose of this report on applying the agreed-upon procedure is solely to describe the procedure performed on the electronic submission of the items listed in the "UFRS Rule Information" column and the associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

Barry E. Gaudette, CPA, PC

June 10, 2021

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Procedure	UFRS Rule Information	Hard Copy Documents	Agrees	Does Not Agree
1	Business Sheet, Revenue and Expense and Cash Flow Data	Financial Data Templates (i.e. the Financial Data Schedule)	X	
2	Footnotes	Footnotes to Audited Basic Financial Statements	X	
3	Type of Opinion on the Financial Statements and Compliance	Auditor's Reports on the Financial Statements and Compliance	X	
4	Type of Opinion on Financial Data Templates	Auditor's Supplemental Report on Financial Data Templates	X	

Housing Authority of the City of Kendallville
Financial Data Schedule
Year Ended December 31, 2020

FDS Line Item No.	Low Rent Program 14.850	6.2 Component Unit - Blended	Totals
ASSETS			
Current assets:			
111	\$ 502,600	\$ 105,008	\$ 607,608
114	39,390	0	39,390
100	<u>541,990</u>	<u>105,008</u>	<u>646,998</u>
Receivables:			
122	62,942	0	62,942
126	358	0	358
126.1	(300)	0	(300)
127	43,216	0	43,216
129	15	131	146
120	<u>106,231</u>	<u>131</u>	<u>106,362</u>
131	<u>108,669</u>	<u>153,483</u>	<u>262,152</u>
Other Current Assets:			
142	5,215	0	5,215
143	4,954	0	4,954
143.1	(514)	0	(514)
	<u>9,655</u>	<u>0</u>	<u>9,655</u>
150	<u>766,545</u>	<u>258,622</u>	<u>1,025,167</u>
Noncurrent Assets:			
Fixed Assets:			
161	388,549	0	388,549
162	6,365,252	0	6,365,252
163	143,212	0	143,212
164	163,290	12,123	175,413
166	(5,502,409)	(12,123)	(5,514,532)
160	<u>1,557,894</u>	<u>0</u>	<u>1,557,894</u>
176	<u>0</u>	<u>45,480</u>	<u>45,480</u>
180	<u>1,557,894</u>	<u>45,480</u>	<u>1,603,374</u>
200	<u>17,547</u>	<u>0</u>	<u>17,547</u>
290	<u>\$ 2,341,986</u>	<u>\$ 304,102</u>	<u>\$2,646,088</u>

Housing Authority of the City of Kendallville
Financial Data Schedule
(Continued)
Year Ended December 31, 2020

FDS Line Item No.		Low Rent Program 14.850	6.2 Component Unit - Blended	Totals
	LIABILITIES and NET POSITION			
	Current liabilities:			
312	Accounts payable	\$ 5,179	0	\$ 5,179
321	Accrued wage/payroll taxes payable	8,969	0	8,969
322	Accrued compensated absence – current	936	0	936
341	Tenant security deposits	39,390	0	39,390
342	Unearned Revenue	3,316	0	3,316
346	Accrued liabilities-other	11,001	0	11,001
310	Total current liabilities	<u>68,791</u>	<u>0</u>	<u>68,791</u>
	Non-current liabilities:			
354	Accrued Compensated Absences	13,480	0	13,480
357	Accrued Pension Liabilities	102,391	0	102,391
350	Total non-current liabilities	<u>115,871</u>	<u>0</u>	<u>115,871</u>
300	Total liabilities	<u>184,662</u>	<u>0</u>	<u>184,662</u>
400	Deferred inflow of resources	<u>29,992</u>	<u>0</u>	<u>29,992</u>
	Net Position:			
508.4	Net investment in capital assets	1,557,894	0	1,557,894
512.4	Unrestricted net position	569,438	304,102	873,540
513	Total net position	<u>2,127,332</u>	<u>304,102</u>	<u>2,431,434</u>
600	Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,341,986</u>	<u>\$ 304,102</u>	<u>\$ 2,646,088</u>

Housing Authority of the City of Kendallville
Financial Data Schedule
(Continued)
Year Ended December 31, 2020

FDS Line Item No.		Low Rent Program 14.850	Capital Fund Program 14.872	6.2 Component Unit - Blended
Revenues				
70300	Net tenant rental revenue	\$ 457,137	\$ 0	\$ 0
70400	Tenant revenue – other	16,155	0	0
70500	Total tenant revenue	<u>473,292</u>	<u>0</u>	<u>0</u>
70600	HUD PHA operating grants	125,270	0	0
70610	Capital grants	0	243,686	0
71100	Investment income-unrestricted	1,609	0	929
71600	Gain or loss of sale of capital asset	<u>(2,505)</u>	<u>0</u>	<u>0</u>
70000	Total revenue	<u>597,666</u>	<u>243,686</u>	<u>929</u>
Expenses				
Administrative:				
91100	Administrative salaries	86,968	0	0
91200	Auditing fees	5,500	0	0
91400	Advertising and marketing	468	0	0
91500	Employee benefit contributions	29,253	0	0
91600	Office expenses	23,744	0	0
91700	Legal expenses	1,800	0	675
91900	Other	9,760	0	0
91000	Total operating-administrative	<u>157,493</u>	<u>0</u>	<u>675</u>
Tenant services:				
92100	Tenant services-salaries	0	0	0
92400	Tenant services-other	1,558	0	0
92500	Total tenant services	<u>1,558</u>	<u>0</u>	<u>0</u>
Utilities:				
93100	Water	37,439	0	0
93200	Electricity	75,205	0	0
93300	Gas	13,346	0	0
93000	Total utilities	<u>125,990</u>	<u>0</u>	<u>0</u>
Ordinary maintenance and operations:				
94100	Labor	113,182	0	0
94200	Materials and other	18,249	0	0
94300	Contracts	22,322	0	0
94500	Employee benefit contributions	36,618	0	0
94000	Total maintenance	<u>\$ 190,371</u>	<u>\$ 0</u>	<u>\$ 0</u>

14.PHC Public CARES Act	Totals
\$ 0	\$ 457,137
0	16,155
<u>0</u>	<u>473,292</u>
11,998	137,268
0	243,686
0	2,538
0	(2,505)
<u>11,998</u>	<u>854,279</u>
0	86,968
0	5,500
0	468
0	29,253
0	23,744
0	2,475
0	9,760
<u>0</u>	<u>158,168</u>
10,080	10,080
<u>1,918</u>	<u>3,476</u>
<u>11,998</u>	<u>13,556</u>
0	37,439
0	75,205
<u>0</u>	<u>13,346</u>
<u>0</u>	<u>125,990</u>
0	113,182
0	18,249
0	22,322
0	36,618
<u>\$ 0</u>	<u>\$ 190,371</u>

Housing Authority of the City of Kendallville
Financial Data Schedule
(Continued)
Year Ended December 31, 2020

FDS Line Item No.		Low Rent Program 14.850	Capital Fund Program 14.872	6.2 Component Unit - Blended
	Expenses (continued)			
	Insurance:			
96110	Property insurance	23,063	0	0
96120	Liability insurance	2,992	0	0
96130	Worker's comp insurance	5,216	0	0
96140	All other insurance	1,097	0	0
96100	Total insurance premiums	<u>32,368</u>	<u>0</u>	<u>0</u>
	Other general expenses:			
96200	Other general expenses	0	0	0
96210	Compensated absences	16,040	0	0
96400	Bad debt – tenant rents	4,829	0	0
96000	Total other general expenses	<u>20,869</u>	<u>0</u>	<u>0</u>
96900	Total operating expenses	<u>528,649</u>	<u>0</u>	<u>675</u>
97000	Excess revenue over operating expenses	<u>69,017</u>	<u>243,686</u>	<u>254</u>
	Other Expenses:			
97400	Depreciation expense	<u>117,102</u>	<u>3,501</u>	<u>0</u>
90000	Total expenses	<u>645,751</u>	<u>3,501</u>	<u>675</u>
10000	Excess (deficiency) of operating revenue over (under) expenses	(48,085)	240,185	254
11030	Beginning net position	1,935,232	0	303,848
11040	Equity transfer	240,185	(240,185)	0
	Ending net position	<u>\$ 2,127,332</u>	<u>\$ 0</u>	<u>\$ 304,102</u>
11190	Unit months available	1,416		
11210	Unit months leased	1,410		

14.PHC Public CARES Act	Totals
0	23,063
0	2,992
0	5,216
0	1,097
<u>0</u>	<u>32,368</u>
0	0
0	16,040
0	4,829
<u>0</u>	<u>20,869</u>
<u>11,998</u>	<u>541,322</u>
<u>0</u>	<u>312,957</u>
<u>0</u>	<u>120,603</u>
<u>11,998</u>	<u>661,925</u>
0	192,354
0	2,239,080
0	0
<u>\$ 0</u>	<u>\$ 2,431,434</u>

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Board of Housing Commissioners
Housing Authority of the City of Kendallville
Kendallville, Indiana

We 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 business-type activities of the Housing Authority of the City of Kendallville, Indiana, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Kendallville, Indiana’s basic financial statements, and have issued our report thereon dated June 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Kendallville, Indiana’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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, Indiana’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Kendallville, Indiana’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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our 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 our audit we did not identify any deficiencies in internal control that we 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, Indiana's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our 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 on 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.

Barry E. Gaudette, CPA

June 10, 2021