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February 15, 2023

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

We have reviewed the audit report of the Housing Authority of the City of Kendallville, which was opined upon by Barry E. Gaudette, CPA, Independent Public Accountant, for the period January 1, 2021 to December 31, 2021. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Kendallville, as of December 31, 2021 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Barry E. Gaudette, CPA, prepared the audit report 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 cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

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

**FOR THE YEAR ENDED DECEMBER 31, 2021  
AND  
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

**HOUSING AUTHORITY OF THE CITY OF KENDALLVILLE**  
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**DECEMBER 31, 2021**

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## **INTRODUCTION**

## ***Independent Auditor's Report***

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the business-type activities of the Housing Authority of the City of Kendallville, Indiana, as of December 31, 2021 and 2020, and the related statement and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Housing Authority of the City of Kendallville, Indiana as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Housing Authority of the City of Kendallville, Indiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Authority of the City of Kendallville, Indiana's ability to continue as a going concern for the year ending December 31, 2021.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Authority of the City of Kendallville, Indiana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Report on Other Legal and Regulatory Requirements**

#### ***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 5-12 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

## Report on Other Legal and Regulatory Requirements (Continued)

### *Other Matters (Continued)*

#### *Required Supplementary Information (Continued)*

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 32-35 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 16, 2022, 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 16, 2022

**Housing Authority of the City of Kendallville**  
**Management's Discussion and Analysis (MD&A)**  
**December 31, 2021**  
**(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, 2021. 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, 2021 was \$2,299,810. The net position decreased by \$131,624, a decrease of 5.5% from the prior year.

Revenues and contributions for the Housing Authority were \$731,894 for the year ended December 31, 2021. This was a decrease of \$122,385 or 14.4% the from prior year.

Expenses for the Housing Authority were \$729,880 for the year ended December 31, 2021. This was an increase of \$67,953 or 10.3% over the prior year.

HUD operating grants were \$194,142 for the year ended December 31, 2021. This was an increase of \$56,874 or 41.5% over the prior 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, 2021**  
**(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, 2021  
(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 City 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 \$2,299,810 at the close of the year ended December 31, 2021 an increase from \$2,431,434 in 2020.

The unrestricted net position was \$804,446 as of December 31, 2021. 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, 2021  
(Continued)**

**FINANCIAL ANALYSIS (Continued)**

**CONDENSED STATEMENTS OF NET POSITION**

	<u>12/31/21</u>	<u>12/31/20</u>	<u>Dollar Change</u>
Current and other assets	\$ 823,789	\$ 1,025,167	\$ (201,378)
Capital assets, net	1,495,364	1,557,894	(62,530)
Non-current assets	143,072	45,480	97,592
Deferred outflow of resources	<u>36,728</u>	<u>17,547</u>	<u>19,181</u>
Total Assets	<u>2,498,953</u>	<u>2,646,088</u>	<u>(147,135)</u>
Current liabilities	74,662	68,791	5,871
Noncurrent liabilities	52,633	115,871	(63,238)
Deferred inflow of resources	<u>71,848</u>	<u>29,992</u>	<u>41,856</u>
Total Liabilities	<u>199,143</u>	<u>214,654</u>	<u>(15,511)</u>
Net Position:			
Net Investment in capital assets	1,495,364	1,557,894	(62,530)
Unrestricted net position	<u>804,446</u>	<u>873,540</u>	<u>(69,094)</u>
Total Net Position	<u>\$ 2,299,810</u>	<u>\$ 2,431,434</u>	<u>\$ (131,624)</u>

Total current assets decrease of \$201,378 was due, in large part, to cash payments to other suppliers of goods and services of \$325,437.

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, 2021  
(Continued)**

**FINANCIAL ANALYSIS (Continued)**

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

	<u>12/31/21</u>	<u>12/31/20</u>	<u>Dollar Change</u>
<b>Revenues and contributions</b>			
Operating, non-operating, capital contributions:			
Tenant Revenue	\$ 453,060	\$ 457,137	\$ (4,077)
Tenant revenue-other	32,726	16,155	16,571
HUD operating grants	194,142	137,268	56,874
Capital grants	57,393	243,686	(186,293)
Investment income	543	2,538	(1,995)
Other income	384	0	384
Loss of sale of asset	(6,354)	(2,505)	(3,849)
<b>Total Revenues and Contributions</b>	<u>731,894</u>	<u>854,279</u>	<u>(122,385)</u>
<b>Expenses</b>			
Personnel services	274,200	276,101	(1,901)
Tenant services	1,404	3,476	(2,072)
Utilities	127,577	125,990	1,587
Maintenance	58,011	40,571	17,440
Insurance	30,379	32,368	(1,989)
General expenses	96,321	62,816	33,505
Depreciation	141,988	120,603	21,385
<b>Total Expenses</b>	<u>729,880</u>	<u>661,925</u>	<u>67,955</u>
Special item	(88,696)	0	(88,696)
Change in net position	(86,682)	192,354	(279,036)
Beginning net position	2,431,434	2,239,080	192,354
Prior period adjustment	(44,942)	0	(44,942)
Ending net position	<u>\$ 2,299,810</u>	<u>\$ 2,431,434</u>	<u>\$ (131,624)</u>

*Revenues:*

As can be seen in the above table total revenues and contributions decreased by \$122,385, in large part, due to capital grants decreasing by \$186,293.

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 81.6% of capital grants as hard costs for the current year. For the year ending December 31, 2021, revenue generated by the Housing Authority accounted for \$485,786 (or 66.4% of total revenue), while HUD contributions accounted for \$251,535 (or 34.4% of total revenue).

**Housing Authority of the City of Kendallville  
Management's Discussion and Analysis (MD&A)  
December 31, 2021  
(Continued)**

*Expenses:*

Total expenses for the fiscal year ending December 31, 2021 were \$729,880 while for the year ending December, 31, 2020 they were \$661,925. This represents an 10,3% increase in our operating costs. The expenses increased, in large part, because of an increase in depreciation of \$21,385 and maintenance materials and contracts increase of \$17,440.

The following represents changes in Federal Assistance received:

	12/31/21	12/31/20	Dollar Change
Public Housing Operating Subsidy	\$ 173,858	\$ 125,270	\$ 48,588
Capital Fund Program	70,393	243,686	(173,293)
Public Housing CARES Act	7,284	11,998	(4,714)
Total	<u>\$ 251,535</u>	<u>\$ 380,954</u>	<u>\$ (129,419)</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 less than one year's worth of capital funds in 2021.

*Budget Analysis:*

A Low Rent Public Housing Operating Budget for the year ending December 31, 2021 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:

	12/31/21	12/31/20
Low Rent Public Housing Program	118	118

The Housing Authority had a lease up rate of 98.7% 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, 2021 amounts to \$1,495,364 (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, 2021  
(Continued)**

**CAPITAL ASSETS (Continued)**

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

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>
Land	\$ 388,549	\$ 388,549	\$ 0
Buildings	6,342,337	6,365,252	(22,915)
Furniture, equipment and machinery	146,295	143,212	3,083
- Dwellings			
Furniture, equipment and machinery	183,345	175,413	7,932
- Administration			
Construction in progress	19,604	0	19,604
	<u>7,080,130</u>	<u>7,072,426</u>	<u>7,704</u>
Accumulated depreciation	(5,584,766)	(5,514,532)	(70,234)
Total	<u>\$ 1,495,364</u>	<u>\$ 1,557,894</u>	<u>\$ (62,530)</u>

Capital assets decreased by \$(62,530) due to capital outlays of \$30,619, disposals of assets of \$(22,915), depreciation of \$(141,988), and an accumulated depreciation adjustment related to the sale of assets of \$71,754.

During the year ending December 31, 2021, our Capital Fund Program was used for exterior work brick etc.

Capital projects planned for the next year include the following:

The planned capital expenditures for the next year will be used for remodeling kitchens.

**Housing Authority of the City of Kendallville  
Management's Discussion and Analysis (MD&A)  
December 31, 2021  
(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, 2021**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 616,710
Accounts receivable- net	48,885
Investments	135,627
Prepaid expenses	18,639
Inventories, net	<u>3,928</u>
Total Current Assets	<u>823,789</u>

Capital Assets:

Land	388,549
Buildings	6,342,337
Equipment – Administration	146,295
Equipment – Dwelling	183,345
Construction in progress	<u>19,604</u>
	7,080,130

Less: accumulated depreciation	<u>(5,584,766)</u>
Net Capital Assets	<u>1,495,364</u>

Investments in Joint Ventures	<u>143,072</u>
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Deferred outflow of resources	<u>36,728</u>
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Total Assets	<u><u>\$ 2,498,953</u></u>
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**LIABILITIES and NET POSITION**

Current Liabilities:

Accounts payable	\$ 17,352
Accrued expenses	15,869
Tenant security deposit liability	39,746
Unearned revenue	<u>1,695</u>
Total Current Liabilities	<u>74,662</u>

Non-Current Liabilities:

Accrued compensated absences	7,631
Accrued pension	<u>45,002</u>

Total Non-Current Liabilities	<u>52,633</u>
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Total Liabilities	<u>127,295</u>
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Deferred inflow of resources	<u>71,848</u>
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Net Position:

Net investment in capital assets	1,495,364
Unrestricted net position	<u>804,446</u>
Total Net Position	<u>2,299,810</u>

Total Liabilities, Deferred Inflow of Resources, and Net Position	<u><u>\$ 2,498,953</u></u>
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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, 2021**

**OPERATING REVENUES:**

Net tenant rental revenue	\$	453,060
Tenant revenue-other		32,726
Operating grants		194,142
		194,142
Total operating revenues		679,928

**OPERATING EXPENSES:**

Administrative		153,034
Tenant services		1,404
Utilities		127,577
Maintenance		208,803
Insurance		30,379
General expenses		66,695
Depreciation		141,988
		141,988
Total operating expenses		729,880
Operating income (loss)		(49,952)

**NONOPERATING REVENUES:**

Investment income		543
Other revenue		384
		384
Total non-operating revenues		927

**NONOPERATING EXPENSES:**

Loss on sale of asset		(6,354)
		(6,354)
Total non-operating expenses		(6,354)

**CAPITAL CONTRIBUTIONS**

		57,393
Change in net position		2,014
Special items		(88,696)
Prior period adjustments		(44,942)
Net Position, beginning		2,431,434
Net Position, ending	\$	2,299,810

See notes to financial statements

**Housing Authority of the City of Kendallville**  
**Statement of Cash Flows**  
**Year Ended December 31, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and non dwelling rents	\$ 483,671
Cash received from operating grants	194,142
Cash payments to other suppliers of goods and services	(325,437)
Cash payments to employees for services	(308,799)
	43,577
Net cash provided by operating activities	43,577

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Tenant security deposits	356
Special item	(88,696)
Prior period adjustments	(44,942)
Investments in joint ventures	(96,592)
	(229,874)
Net cash (used) by noncapital financing activities	(229,874)

**CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Payments for capital acquisitions	(79,069)
Notes receivable	43,216
Loss on sale of assets	(6,354)
Capital Grants	72,129
	29,922
Net cash provided by capital and related financing activities	29,922

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of investments	125,525
Receipt of interest income	562
	126,087
Net cash provided by investing activities	126,087

Net increase (decrease) in cash	(30,288)
Cash and cash equivalents, beginning	646,998
Cash and cash equivalents, ending	\$ 616,710

See notes to financial statements

**Housing Authority of the City of Kendallville**  
**Statement of Cash Flows (Continued)**  
**Year Ended December 31, 2021**

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

Operating income (loss)	\$	(49,952)
Adjustments to reconcile operating (loss) to net cash provided (used)		
By operating activities:		
Depreciation		141,988
Allowance for obsolete inventories		(172)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable- tenants		(494)
Inventories		684
Deferred outflow of resources		(19,181)
Prepaid expenses		(13,424)
Increase (decrease) in liabilities:		
Accounts payable-trade		85
Unearned revenue		(1,621)
Accrued wages/payroll taxes payable		1,248
Accrued compensated absences		(1,133)
Deferred inflow of resources		41,856
Accrued pension liabilities		(57,389)
Accrued liabilities-other		1,082
		1,082
Net cash provided by operating activities	\$	43,577

See notes to financial statements

**Housing Authority of the City of Kendallville**  
**Notes to Financial Statements**  
**December 31, 2021**

**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 City 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 City 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, 2021, there were no inter-program receivables and payables, there were equity transfers of \$38,004 from the capital fund program to the low rent program and there was an operating transfer of \$13,000 from the capital fund program to the low rent program.

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 16, 2022, 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)	\$	616,710
Certificate of deposit		<u>135,627</u>
Total	\$	<u>752,337</u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of December 31, 2021:

Bank deposits (checking and savings accounts and certificate of deposit)	\$	752,237
Petty cash		<u>100</u>
Total	\$	<u>752,337</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.

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021, was as follows:

	<u>Balance 12/31/20</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 12/31/21</u>
<b>Low Rent Program</b>				
Land	\$ 388,549	\$ 0	\$ 0	\$ 388,549
Buildings	6,365,252	0	(22,915)	6,342,337
Furniture, equipment & machinery - dwellings	143,212	3,083	0	146,295
Furniture, equipment & machinery - administration	163,290	7,932	0	171,222
Construction in progress	0	19,604	0	19,604
	<u>7,060,303</u>	<u>\$ 30,619</u>	<u>\$ (22,915)</u>	<u>7,068,007</u>
Less accumulated depreciation	<u>(5,502,409)</u>	<u>\$ (141,988)</u>	<u>\$ 71,754</u>	<u>(5,572,643)</u>
Total	<u>\$ 1,557,894</u>			<u>\$ 1,495,364</u>
<b>Component Unit</b>				
Furniture, equipment & machinery - administration	<u>\$ 12,123</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,123</u>
	12,123	<u>\$ 0</u>	<u>\$ 0</u>	12,123
Less accumulated depreciation	<u>(12,123)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(12,123)</u>
Total	<u>\$ 0</u>			<u>\$ 0</u>
<b>Combined Totals</b>				<u>\$ 1,495,364</u>

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

Business-type activities:	
Low Rent Program	\$ 122,599
Capital Fund	<u>19,389</u>
Total	<u>\$ 141,988</u>

**NOTE D: NON-CURRENT LIABILITIES**

As of December 31, 2021, the non-current liabilities are comprised of the following:

Accrued pension	\$	45,002
Accrued compensated absences		7,631
	<u>\$</u>	<u>52,633</u>

The following is a summary of changes in non-current liabilities for the year ended December 31, 2021:

	<u>Balance 12/31/20</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/21</u>	<u>Amounts Due within One Year</u>
Accrued pension	\$ 102,391	\$ 0	\$ (57,389)	\$ 45,002	\$ 0
Accrued absences	13,480	13,053	(18,902)	7,631	5,652
	<u>\$ 115,871</u>	<u>\$ 13,053</u>	<u>\$ (76,291)</u>	<u>\$ 52,633</u>	<u>\$ 5,652</u>

**NOTE E: COMMITMENTS AND CONTINGENCIES****Commitments – Construction**

At December 31, 2021, 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	(192,128)	(153,438)	(10,625)
Excess of Funds Approved	<u>\$ 0</u>	<u>\$ 47,678</u>	<u>\$ 204,600</u>
Funds Advanced (HUD Grants)	\$ 192,128	\$ 153,438	\$ 10,625
Funds Expended	(192,128)	(153,438)	(10,625)
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The audited costs for the 2018 CFP agree with the costs shown on the Form HUD-53001.

**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***

The Housing Authority of the City of Kendallville participates in a cost-sharing multiple-employer 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 and is based on Title 35 of IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). The Public Employees' Retirement Fund (PERF) Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees. INPRS reports are available online at <https://www.in.gov/inprs/publications/actuarial-valuation-reports/>.

Members include officers and employees of the units of State and local governments in Indiana (referred to as political subdivisions), including counties, cities, towns, townships, libraries, and school corporations. The political subdivisions become participants by resolution of the governing body, which specifies the classifications of employees who will become members of the PERF Hybrid plan.

### ***Benefits Provided***

Retirement benefits consist of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. Pension benefits vest after 10 years of creditable service. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100% of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100% of the pension benefit.

A member who is at least 55 years old with sum of age and vesting service equal to 85 or more is eligible for normal retirement and, as such, is entitled to 100% of the pension benefit.

In lieu of a cost of living adjustment (COLA) on January 1, 2021, members in pay were provided a 13<sup>th</sup> check on October 1, 2020. Therefore, 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

The PERF hybrid plan also provides disability and survivor benefits.

**NOTE G: RETIREMENT PLAN (CONINUTED)**

***Contributions***

Members are required by statute to make contributions to the plan as determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10 ,2-2-11. During 2021, all participating employers contributed an average of 11.2% of covered payroll. The Authority's required contribution to the plan for the fiscal year ended September 30, 2020 was \$21,095. A contribution of 3% of covered payroll was contributed by the employees into the annuity savings account portion. The annuity savings account benefit is in addition to the annuity benefits provided by employer contributions. During 2018, the annuity savings accounts were completely separated from the defined benefit plan, and so are no longer relevant to the valuation process.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension***

At June 30, 2021, the Housing Authority reported a liability of \$45,002 for its proportionate share of the net position liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net position liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Housing Authority's proportion of the net pension liability was based on the Housing Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2021, the Housing Authority's proportion was 0.0000623%, which was an increase of 0.0000001% from its proportion measured as of June 30, 2020.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)***

For the year ended December 31, 2021, the Housing Authority recognized pension expense of \$8,291:

At July 2021, the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,539	\$ 899
Net differences between projected and actual earnings on pension plan investments	0	58,431
Changes in assumptions	22,636	10,108
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,600	2,410
Employer contributions after the measurement date	0	0
<b>Total</b>	<b>\$ 25,775</b>	<b>\$ 71,848</b>

**NOTE G: RETIREMENT PLAN (CONINUTED)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended:</u>	<u>Amortization of net Deferred outflows (inflows) or resources</u>
2022	\$ (13,864)
2023	(9,518)
2024	(5,988)
2025	(16,703)
2026	0
Thereafter	0
<b>Total</b>	<u>\$ (46,023)</u>

***Actuarial Assumptions***

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	June 30, 2021
Measurement Date of Net Pension Liability	June 30, 2021
Actuarial Cost Method	Entry Age Normal-Level Percent of Payroll
Asset Valuation Method	Fair Market Value
Long-Term Expected Rate of Return	6.25%
Discount Rate	6.75%, net of investment expenses:
Salary Increases:	
Inflation	2.00%
Merit	0.00-6.00%
Mortality:	Pub-2010 Public Retirement Plans Mortality Tables (Amount Weighted) with a full 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 females. Beneficiaries – Contingent Survivor table with no set forward for males and a 2 year set forward for females. Disableds – General Disabled table with a 140% loan.

Actuarial assumptions are based upon an experience study completed in February 2020 using experience between June 30, 2014 and June 30, 2019. The demographic assumptions were updated as needed for the June 30, 2020 actuarial valuation based on the results of the study. The total pension liability for June 30, 2020 is based upon a roll-forward of the liability calculated from the June 30, 2021 actuarial valuation.

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

*Long-Term Expected Return on Plan Assets* – The long-term expected rate of return on 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates or return for each major asset class are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Current Asset Allocation %</u></b>	<b><u>Target Range %</u></b>
Public Equity	21.0%	19.5-24.5%
Private Markets	14.8%	10.0-18.0%
Fixed Income-Ex Inflation-Linked	15.7%	17.0-23.0%
Fixed Income-Inflation-Linked	7.2%	4.0-10.0%
Commodities	8.2%	6.0-10.0%
Real Estate	<b>\$6.4%</b>	3.5-10.5%
Absolute Return	9.3%	6.0-14.0%
Risk Party	15.9%	7.0-17.0%
Cash + Cash Overlay	1.5%	N/A
Total	<u>100%</u>	<u>100.0%</u>

***Single Discount Rate***

The discount rate used to measure the total pension liability was 6.25% and is equal to long-term expected return on plan investments, net of administrative expenses. The INPRS Board of Trustees has established a funding policy of setting the employer contribution rate equal to the greater of: 1) the current contribution rate of 11.2%, or 2) the actuarially determined contribution rate computed by the actuary using the assumptions and methods selected by the Board for the annual actuarial valuations.

***Sensitivity of the Housing Authority’s Proportionate Share of the Net Position 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 6.25 percent, as well as what the Housing Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate.

	<b><u>1% Decrease to Discount Rate (5.25%)</u></b>	<b><u>Current Discount Rate (6.25%)</u></b>	<b><u>1% Increase To Discount Rate (7.25%)</u></b>
City of Kendallville HA proportionate share of the net pension liability	<u>\$ 117,700</u>	<u>\$ 45,002</u>	<u>\$ (15,638)</u>

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

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at [https://www.in.gov/inprs/files/INPRSConsolidated CAFR FY20.pdf](https://www.in.gov/inprs/files/INPRSConsolidated%20CAFR%20FY20.pdf).

***Payables to the Pension Plan***

At December 31, 2021, the Housing Authority reported a payable of \$45,002 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2021.

<b>Net Pension Liability as of 2020</b>	<b>\$ 102,391</b>
:	
Deferred Outflow/inflow of Resources:	
- Differences Between Expected and Actual Experience	201
- Net Difference Between Projected and Actual Investment	(67,194)
- Change in Assumptions	33,862
- Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	5,128
Pension Expense/Income	(8,291)
Contributions	<u>(21,095)</u>
Total Activity in FY 2021	<u>(57,389)</u>
<b>Net Pension Liability as of 2021</b>	<b><u>\$ 45,002</u></b>

The pension information is not 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, 2021, and have issued our reports thereon dated June 16, 2022. 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 16, 2022, 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 16, 2022

#### 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, 2021**

FDS Line Item No.	Low Rent Program 14.850	6.2 Component Unit - Blended	Totals
<b>ASSETS</b>			
Current assets:			
111	\$ 566,139	\$ 10,825	\$ 576,964
114	39,746	0	39,746
100	<u>605,885</u>	<u>10,825</u>	<u>616,710</u>
Receivables:			
122	48,206	0	48,206
126	852	0	852
126.1	(300)	0	(300)
129	113	14	127
120	<u>48,871</u>	<u>14</u>	<u>48,885</u>
131	<u>108,791</u>	<u>26,836</u>	<u>135,627</u>
Other Current Assets:			
142	18,639	0	18,639
143	4,270	0	4,270
143.1	(342)	0	(342)
	<u>22,567</u>	<u>0</u>	<u>22,567</u>
150	<u>786,114</u>	<u>37,675</u>	<u>823,789</u>
Noncurrent Assets:			
Fixed Assets:			
161	388,549	0	388,549
162	6,342,337	0	6,342,337
163	146,295	0	146,295
164	171,222	12,123	183,345
166	(5,572,643)	(12,123)	(5,584,766)
167	19,604	0	19,604
160	<u>1,495,364</u>	<u>0</u>	<u>1,495,364</u>
176	<u>0</u>	<u>143,072</u>	<u>143,072</u>
180	<u>1,495,364</u>	<u>143,072</u>	<u>1,638,436</u>
200	<u>36,728</u>	<u>0</u>	<u>36,728</u>
290	<u>\$ 2,318,206</u>	<u>\$ 180,747</u>	<u>\$2,498,953</u>

**Housing Authority of the City of Kendallville**

**Financial Data Schedule**

(Continued)

Year Ended December 31, 2021

FDS Line Item No.	Low Rent Program 14.850	6.2 Component Unit - Blended	Totals
<b>LIABILITIES and NET POSITION</b>			
Current liabilities:			
312	\$ 5,264	\$ 0	\$ 5,264
321	10,217	0	10,217
322	5,652	0	5,652
341	39,746	0	39,746
342	1,695	0	1,695
346	12,088	0	12,088
310	<u>74,662</u>	<u>0</u>	<u>74,662</u>
Non-current liabilities:			
354	7,631	0	7,631
357	45,002	0	45,002
350	<u>52,633</u>	<u>0</u>	<u>52,633</u>
300	<u>127,295</u>	<u>0</u>	<u>127,295</u>
400	<u>71,848</u>	<u>0</u>	<u>71,848</u>
Net Position:			
508.4	1,495,364	0	1,495,364
512.4	623,699	180,747	804,446
513	<u>2,119,063</u>	<u>180,747</u>	<u>2,299,810</u>
600	<u>\$ 2,318,206</u>	<u>\$ 180,747</u>	<u>\$ 2,498,953</u>

**Housing Authority of the City of Kendallville**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended December 31, 2021**

FDS Line Item No.		Low Rent Program 14.850	Capital Fund Program 14.872	6.2 Component Unit – Blended
<b>Revenues</b>				
70300	Net tenant rental revenue	\$ 453,060	\$ 0	\$ 0
70400	Tenant revenue – other	32,726	0	0
70500	Total tenant revenue	<u>485,786</u>	<u>0</u>	<u>0</u>
70600	HUD PHA operating grants	173,858	13,000	0
70610	Capital grants	0	57,393	0
71100	Investment income-unrestricted	357	0	186
71500	Other revenue	384	0	0
71600	Gain or loss of sale of capital asset	(6,354)	0	0
70000	Total revenue	<u>654,031</u>	<u>70,393</u>	<u>186</u>
<b>Expenses</b>				
Administrative:				
91100	Administrative salaries	84,314	0	0
91200	Auditing fees	5,500	0	0
91400	Advertising and marketing	1,382	0	0
91500	Employee benefit contributions	18,145	0	0
91600	Office expenses	26,599	0	46
91700	Legal expenses	2,403	0	1,635
91900	Other	9,434	0	149
91000	Total operating-administrative	<u>147,777</u>	<u>0</u>	<u>1,830</u>
Tenant services:				
92400	Tenant services-other	1,404	0	0
92500	Total tenant services	<u>1,404</u>	<u>0</u>	<u>0</u>
Utilities:				
93100	Water	34,856	0	0
93200	Electricity	75,897	0	0
93300	Gas	16,824	0	0
93000	Total utilities	<u>127,577</u>	<u>0</u>	<u>0</u>
Ordinary maintenance and operations:				
94100	Labor	121,919	0	0
94200	Materials and other	26,060	0	0
94300	Contracts	31,951	0	0
94500	Employee benefit contributions	25,016	0	0
94000	Total maintenance	<u>204,946</u>	<u>0</u>	<u>0</u>

14.PHC Public CARES Act	Totals
\$ 0	\$ 453,060
0	32,726
<hr/> 0	<hr/> 485,786
7,284	194,142
0	57,393
0	543
0	384
0	(6,354)
<hr/> 7,284	<hr/> 731,894
2,857	87,171
0	5,500
0	1,382
0	18,145
0	26,645
0	4,038
570	10,153
<hr/> 3,427	<hr/> 153,034
0	1,404
<hr/> 0	<hr/> 1,404
0	34,856
0	75,897
0	16,824
<hr/> 0	<hr/> 127,577
3,857	125,776
0	26,060
0	31,951
0	25,016
<hr/> 3,857	<hr/> 208,803

**Housing Authority of the City of Kendallville**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended December 31, 2021**

FDS Line Item No.		Low Rent Program 14.850	Capital Fund Program 14.872	6.2 Component Unit - Blended
	<b>Expenses (continued)</b>			
	Insurance:			
96110	Property insurance	22,887	0	0
96120	Liability insurance	3,065	0	0
96130	Worker's comp insurance	3,281	0	0
96140	All other insurance	1,146	0	0
96100	Total insurance premiums	<u>30,379</u>	<u>0</u>	<u>0</u>
	Other general expenses:			
96200	Other general expenses	0	0	33,015
96210	Compensated absences	18,092	0	0
96400	Bad debt – tenant rents	15,588	0	0
96000	Total other general expenses	<u>33,680</u>	<u>0</u>	<u>33,015</u>
96900	Total operating expenses	<u>545,763</u>	<u>0</u>	<u>34,845</u>
97000	Excess revenue over operating exp.	<u>108,268</u>	<u>70,393</u>	<u>(34,659)</u>
	Other Expenses:			
97400	Depreciation expense	<u>122,599</u>	<u>19,389</u>	<u>0</u>
90000	Total expenses	<u>668,362</u>	<u>19,389</u>	<u>34,845</u>
	Operating Transfers:			
10010	Operating transfer in	13,000	0	0
10020	Operating transfer (out)	<u>0</u>	<u>(13,000)</u>	<u>0</u>
	Total operating transfers in (out)	<u>13,000</u>	<u>(13,000)</u>	<u>0</u>
10080	Special item	0	0	(88,696)
10000	Excess (deficiency) of operating revenue over (under) expenses	(1,331)	38,004	(34,659)
11030	Beginning net position	2,127,332	0	304,102
11040	Equity transfer and prior period adj.	(6,938)	(38,004)	0
	Ending net position	<u>\$ 2,119,063</u>	<u>\$ 0</u>	<u>\$ 180,747</u>
11190	Unit months available	1,416		
11210	Unit months leased	1,397		

14.PHC Public CARES Act	Totals
0	22,887
0	3,055
0	3,281
0	1,146
<u>0</u>	<u>30,379</u>
0	33,015
0	18,092
0	15,588
<u>0</u>	<u>66,695</u>
7,284	587,892
<u>0</u>	<u>144,002</u>
0	141,988
7,284	729,880
0	13,000
0	(13,000)
<u>0</u>	<u>0</u>
0	(88,696)
0	2,014
0	2,431,434
0	(44,942)
<u>\$ 0</u>	<u>\$ 2,299,810</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, 2021, 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 16, 2022.

**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 16, 2022