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June 20, 2014

Board of Directors  
Kokomo Housing Authority  
210 E. Taylor Street  
P.O. Box 1207  
Kokomo, IN 46903-1207

We have reviewed the audit report prepared by Jean Sickels, CPA, Independent Public Accountant, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Kokomo Housing Authority, as of December 31, 2008 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountant's report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

# KOKOMO HOUSING AUTHORITY

AUDITED FINANCIAL STATEMENTS

Kokomo, Indiana

December 31, 2008

*Jean Sickels*

Certified Public Accountant

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Fredericksburg, IN 47120  
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KOKOMO  
HOUSING AUTHORITY

Kokomo, Indiana  
DECEMBER 31, 2008

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# Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City of Kokomo  
P O Box 1207  
Kokomo, Indiana 46903-1207

I have audited the financial statements of the Housing Authority of the City of Kokomo ("the Authority") as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Kokomo as of December 31, 2008, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 20, 2009, on my consideration of the Housing Authority of the City of Kokomo's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis as detailed in this Report, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries made of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Kokomo. The accompanying Schedule of Expenditures of Federal Awards as required by the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, required by the U.S. Department of Housing and Urban Development, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Fredericksburg, Indiana  
August 20, 2009

  
Certified Public Accountant

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis  
December 31, 2008

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

Our discussion and analysis of the financial performance of the Housing Authority of the City of Kokomo, Indiana (Housing Authority) provides an overview of the Housing Authority's financial activities for the fiscal year ended December 31, 2008. Please read the MD&A in conjunction with the Housing Authority's financial statements.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Financial Highlights

Total assets of the Authority for the year ended December 31, 2008, were \$18,796,611. Total liabilities were \$254,979. Total assets exceeded liabilities by \$18,541,632 (net assets). The Housing Authority's net assets decreased by \$651,195 during the year ended December 31, 2008.

Total revenues for the year ended December 31, 2008 were \$6,310,620. Total expenditures for the year ended December 31, 2008, were \$6,961,816. Expenditures exceeded revenues by \$651,196 for the year.

During 2008, the following grant was closed: Capital Fund IN36P00750104 of \$845,176.

As of December 31, 2008, the Authority's investment in capital assets was \$16,977,194 (net of accumulated depreciation). This investment includes land, buildings, improvements, and equipment. Capital outlays for the year were \$531,708.

Overview of the Financial Statements

This annual report includes this Management Discussion and Analysis report, the Financial Statements, and the Notes to the Financial Statements. The Housing Authority's financial statements are presented as fund level financial statements because the Housing Authority only has proprietary funds.

The financial statements of the Housing Authority report information of the Housing Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Housing Authority's activities. The Statement of Net Assets includes all the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Housing Authority's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Housing Authority and assessing the liquidity and financial flexibility of the Housing Authority.

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2008

(Continued)

Overview of the Financial Statements (continued)

All of the current year's revenues and expenses are accounted for in the Statement of Changes in Net Assets. 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 Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, 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.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2008.

Financial Analysis

The Housing Authority's financial statements are the Statement of Net Assets and the Statement of Changes in Net Assets. The Statement of Net Assets provides a summary of the Housing Authority's assets and liabilities as of the close of business on December 31, 2008. The Statement of Changes in Net Assets summarizes the revenues and sources of those revenues generated during the year ended December 31, 2008, and the expenses incurred in operating the Housing Authority for the year ended December 31, 2008.

The Housing Authority accounts for its housing activities in several programs. The following analysis focuses on the net assets and the change in net assets of the Housing Authority as a whole and not the individual programs.

Statement of Net Assets  
December 31, 2008

<u>ASSETS</u>	FYE Dec. 31, 2008	FYE Dec. 31, 2007	Net Change
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 1,313,654	\$ 1,099,660	\$ 213,994
Accounts Receivable	27,812	26,483	1,329
Prepaid Expense	0	130,114	(130,114)
Inventory	59,242	56,088	3,154
<b>Total Current Assets</b>	<b><u>1,400,708</u></b>	<b><u>1,312,345</u></b>	<b><u>88,363</u></b>

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2008

(Continued)

Financial Analysis (continued)

Capital Assets, Net	<u>16,977,194</u>	<u>17,552,121</u>	<u>(574,927)</u>
Restricted Cash	680,754	660,438	20,316
Mortgages Receivable	17,325	0	17,325
Investments in Partnerships	<u>(279,370)</u>	<u>(106,682)</u>	<u>(172,688)</u>
Total Other Assets	<u>418,709</u>	<u>553,756</u>	<u>(135,047)</u>
 Total Assets	 <u>18,796,611</u>	 <u>19,418,222</u>	 <u>(621,611)</u>
 <b>LIABILITIES</b>			
<u>Current liabilities</u>			
Accounts Payable	111,242	89,198	22,044
Payable from restricted cash and cash equivalents:			
Tenant's security deposits	85,080	82,243	2,837
Deferred revenue	<u>14,192</u>	<u>11,174</u>	<u>3,018</u>
Total Current Liabilities	<u>210,514</u>	<u>182,615</u>	<u>27,899</u>
 <u>Noncurrent Liabilities</u>			
Other noncurrent liabilities	44,465	42,780	1,685
Total Noncurrent Liabilities	<u>44,465</u>	<u>42,780</u>	<u>1,685</u>
 Total Liabilities	 <u>254,979</u>	 <u>225,395</u>	 <u>29,584</u>
 <u>Net Assets</u>			
Unrestricted	928,149	1,023,048	(94,899)
Restricted	636,289	617,658	18,631
Investment in capital assets	<u>16,977,194</u>	<u>17,552,121</u>	<u>(574,927)</u>
 Total Net Assets	 <u>\$ 18,541,632</u>	 <u>\$ 19,192,827</u>	 <u>\$ (651,195)</u>

Significant Changes in the Statement of Net Assets

Cash and Cash Equivalents increased from \$1,099,660 in FY 2007 to \$1,313,654 in FY 2008 due to Net Income of \$286,993, not including Depreciation (noncash) Expense of \$765,440 and extraordinary (noncash) loss of \$172,688, less cash outlays for fixed assets of \$42,688.

Accounts Receivable for the Housing Authority increased slightly from \$26,483 in FY 2007 to \$27,812 in FY 2008.

Prepaid Expense decreased from \$130,114 in FY 2007 to \$0 in FY 2008. In FY 2007, the Housing Authority had prepaid \$130,114 for 2008 insurance coverage, but in 2008 no insurance coverage for the next year was prepaid.

Inventory increased from \$56,088 in FY 2007 to \$59,242 in FY 2008. Maintenance supplies were increased by \$2,784 and office supplies were increased by \$370.

Other assets decreased from \$553,756 in FY 2007 to \$418,709 in FY 2008. During 2008, three scattered site houses were refurbished and sold under the Section 32 Low Income Homeownership Plan resulting in \$121,382 in net proceeds. When one of the homes was sold in 2008, a silent second mortgage of \$19,250 was created, \$17,325 of which is

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2008

(Continued)

Significant Changes in the Statement of Net Assets (continued)

noncurrent. Each year that the tenant remains in the home, one-tenth of the mortgage will be forgiven. In addition, HCV Program HAP Equity decreased by \$102,421 due to \$109,533 in HAP expense over what was received from HUD for HAP funding and \$7,111 in interest earned on these monies. During 2008, \$172,688 was recorded as a decrease in our investment in the Jefferson Crossing joint venture. \$330 was spent from the Construction Fund restricted assets, and Family Self-Sufficiency Escrows increased by \$1,685. These activities resulted in the \$135,047 decrease.

Accounts Payable increased from \$89,198 in FY 2007 to \$111,232 in FY 2008. Accrued utility expense increased by \$48,515 to \$102,682, and other vendor accruals decreased by \$26,481 and consists of \$3,084 for payroll related accruals, \$5,366 in accrued software/training expenses and \$100 in homeownership earnest money.

Tenant Security Deposits increased from \$82,243 as of December 31, 2007, to \$85,080 as of December 31, 2008.

Deferred revenue, which increased from \$11,174 in FY 2007 to \$14,192 in FY 2008, consists entirely of the amount of tenant prepaid rent. January 1, 2008, and January 1, 2009, were both holidays so residents who receive disability payments from the Federal government received their payments on December 31, 2007, and December 31, 2008. Many of these residents prepaid their January rent on the day they received their disability payments. At FYE 2007, 102 residents had prepaid all or a portion of their January 2008 rent accounting for the \$11,174 in deferred revenue. At FYE 2008, 147 residents had prepaid all or a portion of their January 2009 rent accounting for the \$14,192 in deferred revenue.

Other Noncurrent Liabilities were entirely comprised of escrow accounts for those tenants who were enrolled in the five-year Family Self-Sufficiency program. Their total escrow balances increased from \$42,780 in FY 2007 to \$44,465 in FY 2008.

Unrestricted Net Assets increased from \$1,023,048 in FY 2007 to \$928,149 in FY 2008. Kokomó Housing Authority experienced a gain in operating reserves of \$115,595 for 2008 in the Low Income Public Housing program, a reduction of \$171,951 in Business Activities, and a reduction of \$38,543 in the Section 8 Voucher program resulting in the net reduction of \$94,899.

Restricted Net Assets increased from \$617,658 in FY 2007 to \$636,289 in FY 2008. The scattered site sales account, which was established in 2006 for the net proceeds of scattered site sales from the LIPH Homeownership Program, increased by \$121,382; \$330 was spent from the restricted construction fund, and \$102,421 in Housing Choice Voucher HAP Equity was spent for HAP payments made over HAP funding received resulting in the \$18,631 net increase.

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2008

(Continued)

Significant Changes in the Statement of Net Assets (continued)

Changes in Net Assets

<u>OPERATING REVENUES</u>	FYE Dec. 31, 2008	FYE Dec. 31, 2007	Net Change
Rental income	\$ 752,411	\$ 786,344	\$ (33,933)
Other income	<u>46,898</u>	<u>144,495</u>	<u>(97,597)</u>
<b>TOTAL OPERATING REVENUE</b>	<b><u>799,309</u></b>	<b><u>930,839</u></b>	<b><u>(131,530)</u></b>
 <u>OPERATING EXPENSES</u>			
Administrative	1,077,790	1,084,889	(7,099)
Tenant services	252,980	223,615	29,365
Utilities	755,814	697,779	58,035
Ordinary maintenance & operation	1,013,673	1,104,494	(90,821)
Protective services	58,848	62,069	(3,221)
Casualty loss - not capitalized	4,854	5,662	(808)
General expense	158,171	163,157	(4,986)
Housing assistance payments	2,874,246	3,020,209	(145,963)
Depreciation expense	<u>765,440</u>	<u>782,273</u>	<u>(16,833)</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>6,961,816</u></b>	<b><u>7,144,147</u></b>	<b><u>(182,331)</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>(6,162,507)</u></b>	<b><u>(6,213,308)</u></b>	<b><u>50,801</u></b>
 <u>NONOPERATING REVENUES</u>			
Federal grants	5,340,229	5,445,340	(105,111)
Gain or loss on capital assets	44,381	28,983	15,398
Extraordinary items, gain/loss	(172,688)	0	(172,688)
Interest income	31,826	72,593	(40,767)
<b>TOTAL NONOPERATING REVENUE</b>	<b><u>5,243,748</u></b>	<b><u>5,546,916</u></b>	<b><u>(303,168)</u></b>
<b>CAPITAL CONTRIBUTIONS</b>	<b><u>267,563</u></b>	<b><u>391,407</u></b>	<b><u>(123,844)</u></b>
<b>CHANGE IN NET ASSETS</b>	<b><u>(651,196)</u></b>	<b><u>(274,985)</u></b>	<b><u>(376,211)</u></b>
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>	<b><u>19,192,828</u></b>	<b><u>19,467,812</u></b>	<b><u>(274,984)</u></b>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b><u>\$ 18,541,632</u></b>	<b><u>\$ 19,192,827</u></b>	<b><u>\$ (651,195)</u></b>

Administrative expenses increased by \$188,411 due to increased salary and benefit costs resulting from several changes that were made to accomplish project-based management. The positions of two Property Managers, a Systems Admin/Capital Needs Coordinator, and four Low Rent Leasing/Community Services Clerks were added along with a Receptionist for the Housing Choice Voucher Program at the end of the year. Positions eliminated included a Low Rent Housing Services Manager, a Low Rent Leasing Specialist, two Community Services Clerks, and a Housing Inspector. There was a decrease in expenses of \$13,429 because the Section 8 New Construction program was eliminated as of July 2007 so there were no expenses in 2008, an increase of \$41,434 in office expenses for the Low Rent Program mostly due to increased phone/internet costs and office supplies, a decrease of \$6,078 in office expenses for the Section 8 Program, a decrease of \$93,180 due to

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2008

(Continued)

Significant Changes in the Statement of Net Assets (continued)

transferring the loss in net rental real estate income from the Jefferson Crossing Ltd. Partnership to Extraordinary items since no cash transaction occurred, and decreased by \$6,426 in expenses for the ROSS RSDM grant and by \$117,831 in expenses for the Capital Fund grants for a net increase of \$7,836.

Tenant services increased \$4,219 due to increased salary and benefits costs. Resident Services decreased by \$1,861 in the Low Rent Program due to less program activity by the residents. Tenant services, such as resident training and ISA accounts, through the ROSS RSDM increased by \$27,007.

Utilities expense increased due to higher costs in each type of utility. Water and sewage increased by \$39,336, electricity by \$10,362 and gas by \$8,337.

Maintenance salaries and benefits decreased by \$92,535 due to several changes in the Maintenance Department. The Maintenance Foreman, Maintenance Clerk, and three Maintenance II positions were eliminated. A Maintenance I position and a Revitalization Technician were added. Maintenance material costs have raised by \$8,732 due to the increasing age of our developments and to increased costs passed on from our vendors. Maintenance contract costs decreased by \$7,018 mostly due to a decrease in the eliminated Section 8 New Construction Program of \$3,619 and a decrease in the ROSS-RSDM Program of \$2,732.

Protective Services decreased in FY 2008 mostly due to a decreased payment of \$5,000 for additional security by local law enforcement.

In FY 2007, damages due to a fire in a unit cost \$14,427 and \$8,765 was received from insurance resulting in the loss for FY 2007 of \$5,662. In FY 2008, one unit was damaged by fire, the retaining wall and fence were damaged by a vehicle, and a laundry room was damaged by fire for a total cost of \$68,360.99, \$147 was received from a resident, and \$63,359.54 was received from insurance resulting in a \$4,854 loss.

General expenses decreased during FY 2008 by \$1,687 in decreased insurance costs and by \$5,529 in decreased tenant rent bad debt and increased by \$4,557 for KHA apparel.

During the year there was an increase in the number of units leased in the Section 8 Voucher program from 90% in FY 2007 to 93% in 2008 resulting in an increase in Housing Assistance Payments of \$224,690; however, since the New Construction program was eliminated as of June 30, 2007, the Housing Assistance Payments to Briarwick decreased by \$370,653 for the net decrease of \$145,963.

Depreciation expense decreased due to the sale of three scattered sites and the disposal/auction of nearly \$200,000 of fixed assets.

The decrease in Federal grants is a net result attributed to several programs. Low Rent subsidy increased by \$286,058 based on the new funding method HUD adopted beginning with FY 2007. On September 19, 2005, HUD established a new formula for determining operating subsidies for public housing authorities (PHAs) and required that PHAs with 250 or more LIPH units convert to asset management. For Kokomo Housing Authority, this new formula had to be used in preparing the 2007 and 2008 budgets. Beginning with 2008, the subsidy was based on Project Expense Levels (PELs) and Utility Expense Levels (UELs) calculated for each Asset Management Project (AMP), but for 2007, HUD established a Weighted Average Project Expense Level (WAPEL) for the entire LIPH program and based KHA's funding on

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2008

(Continued)

Significant Changes in the Statement of Net Assets (continued)

that average. Under this formula, the Housing Authority has a considerably higher total Expense Level than in prior years. HUD increased the funding level from 83.4% for 2007 to 88.96% for 2008.

The Capital fund grants received \$52,881 of increased funding, and the ROSS RSDM Homeownership Grant received \$7,601 of additional funding. The Section 8 Voucher subsidy decreased by \$63,164, and because of the elimination of the Section 8 New Construction program, that funding decreased by \$388,487 resulting in the net decrease.

The increased gain on capital assets was a result of the sale of the three scattered sites through the Section 32 Homeownership Program during 2008.

Extraordinary items, gain/loss decreased by \$172,688. The Housing Authority holds a .51% general partnership interest in Jefferson Crossing Limited Partnership with the remaining 99.49% general and limited partnership interests held by unrelated investors. On the 2007 reports, the loss of \$93,880 was included in the administrative expenses. During 2008, the decrease in equity is \$172,688, and since no cash transaction occurred, the equity loss was transferred to this account.

During FY 2007, funds earned between 4.25% and 4.75% interest most of the year; however interest rates dropped down to between .10% and 1.74% by the end of 2008 resulting in the decrease. The Low Rent Public Housing program earned \$19,249 less interest, the Section 8 Voucher program \$11,621 less, the eliminated Section 8 New Construction program \$4,357 less, and Business Activities - Construction Fund \$5,540 less resulting in the \$40,767 loss from FY 2007 to FY 2008.

Capital contributions are the funds received through the Capital Grant Program that finance the improvements, repairs and replacements to the Housing Authority's buildings and equipment. During 2008, the Authority spent \$123,844 less than during 2007 on the projects that were undertaken.

Financial Position and Results of Operations

The Housing Authority's net assets decreased in 2008 from \$19,192,827 in 2007 to \$18,541,632 by \$651,195. The decrease in net assets is due to the fact that expenses exceeded revenues for the year. Although the total operating expenses decreased by \$182,361, the operating revenue also decreased by \$131,530 and the non-operating income decreased by \$303,198.

Overall there was a decrease in total Federal Grants in 2008 in the amount of \$228,955 due to a 100% (\$388,487) decrease in funding for the New Construction Program, a 10% (\$70,963) decrease from the Capital Fund, a 2% (63,164) decrease in funding for the Section 8 Voucher Program, netted against an 8% (7,601) increase from the ROSS RSDM grant, and a 20% (\$286,058) increase for the Low Income Public Housing Program.

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2008

(Continued)

Capital Assets

Capital Assets are the largest asset reflected on the Authority's statement of net assets. The following is a summary of capital assets owned by the Authority at December 31, 2008:

Land	\$ 1,144,008
Buildings	25,890,108
Furniture and equipment	1,150,167
Construction in Progress	<u>1,083,177</u>
Sub-total	29,267,460
Less: Accumulated Depreciation	( 12,290,266)
Capital Assets, net	<u>\$ 16,977,194</u>
Capital Assets at December 31, 2007	\$ 17,552,121
2008 Depreciation	( 765,440)
Low Rent Capital Outlays	42,688
Capital Fund Additions	489,020
Decrease in Construction in Progress	( 219,973)
Disposals, net of accumulated depreciation	( 121,222)
Capital Assets at December 31, 2008	<u>\$ 16,977,194</u>

Debt

The Housing Authority has no long-term notes or mortgages; however, there is a balance of \$44,465 in noncurrent liabilities consisting entirely of residents' Family Self-Sufficiency escrow deposits. There are also current accounts payables of \$196,322 all of which are due and payable within the year.

Subsequent Events

On September 19, 2005, HUD established a new formula for determining operating subsidies for public housing authorities (PHAs) and required that PHAs with 250 or more LIPH units convert to asset management. For Kokomo Housing Authority, this new formula had to be used in preparing the budgets beginning in 2007. In addition, KHA had to start operating under the asset management requirements beginning in 2008 and be completely converted to asset management by 2011. Instead of basing subsidy on the Performance Funding System (PFS) as in the past, which results in a per unit month subsidy for all the LIPH units a Housing Authority owns, the formula is now based on a Project Expense Level (PEL) combined with a Utilities Expense Level (UEL).

For 2007, HUD established a Weighted Average Project Expense Level (WAPEL) for the entire LIPH program and based KHA's funding on that average, but beginning in 2008, the subsidy determined by calculating PELs and UELs based on each Asset Management Project (AMP). Due to these requirements, the Housing Authority restructured the Management and Low Rent staff to conform to the program requirements. Resident units were divided (based upon their zip code) into Asset Management Projects (AMPs), and a Central Cost Center (CCC) was established. Each AMP was assigned a Project Manager along with administrative and maintenance staff. Upper Management and other support staff are assigned to the Central

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2008

(Continued)

Subsequent Events (continued)

Cost Center (CCC). Beginning in 2008, each of these divisions has their own budget and financial statements which are consolidated to prepare the Low Rent Program's budget and statements.

The Authority adopted an operating budget for FYE December 31, 2009. This budget reflects total operating revenues of \$6,576,233 and total operating expenses of \$6,440,167. KHA based the budget on the Low Rent program being funded at an 80% level. HUD funded the Low Rent Subsidy at an 88.96% level for 2008. For the first nine months of 2009, HUD has funded the Low Rent Subsidy at 81.25% of eligible funding. If this level continues for the remainder of the 2009 year, the Low Rent Program will receive \$28,200 more than budgeted.

HUD also changed the baseline for HAP funding eligibility as required by the Consolidated Appropriations Act, 2008, Public Law 110-161 (2008 Act) and based on data that the Authority provided through the Voucher Management System (VMS) for the period of October 1, 2006 through September 30, 2007. This process was referred to as re-benchmarking.

In addition, the calculation of administrative fees has been significantly changed for 2008. For years 2004 through 2007, each

Housing Authority was paid a flat fee amount for the year, but for 2008, fees will be paid solely on the basis of number of units leased as of the first of each month. The total fee eligibility will be calculated quarterly, based on the Authority's VMS reporting. Using the HAP funding awarded for 2009 and the administrative fees received through July 2009, if the funding level remains the same, the Housing Choice Voucher program will receive \$78,965 more than budgeted.

During 2009, HUD announced that KHA would be awarded an American Recovery and Reinvestment Act (ARRA) Grant of \$1,013,695 which will be used for five large projects (lighting, roofs, entry doors, boilers, and furnaces) which would not have been done so soon without this grant.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Authority's Executive Director or the Director of Finance:

Kokomo Housing Authority  
PO Box 1207  
Kokomo, IN 46903-1207  
765-459-3162

**FINANCIAL STATEMENTS**

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

ASSETS

Current Assets

Cash	\$ 1,098,894
Accounts receivable, net	45,137
Inventory, net	59,242
<b>Total Current Assets</b>	<b><u>1,203,273</u></b>

Noncurrent Assets

Restricted assets

Restricted cash	<u>895,514</u>
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Capital assets

Land and other nondepreciable assets	2,227,185
Depreciable capital assets, net	<u>14,750,009</u>
<b>Total Capital Assets</b>	<b><u>16,977,194</u></b>
Investments in partnerships	<u>(279,370)</u>

<b>Total Noncurrent Assets</b>	<b><u>17,593,338</u></b>
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<b>TOTAL ASSETS</b>	<b><u>18,796,611</u></b>
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LIABILITIES

Current liabilities

Accounts payable	196,322
Deferred revenue	<u>14,192</u>
<b>Total current liabilities</b>	<b><u>210,514</u></b>

Noncurrent liabilities

Escrow deposits, restricted	<u>44,465</u>
<b>Total Noncurrent liabilities</b>	<b><u>44,465</u></b>

<b>TOTAL LIABILITIES</b>	<b><u>254,979</u></b>
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NET ASSETS

Unrestricted	928,149
Restricted	636,289
Investment in capital assets	<u>16,977,194</u>

<b>TOTAL NET ASSETS</b>	<b><u>\$ 18,541,632</u></b>
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**OPERATING REVENUES**

Total rental income	\$	752,411
Other income		46,898
		799,309

**TOTAL OPERATING REVENUE**

**OPERATING EXPENSES**

Administrative		1,077,790
Tenant services		252,980
Utilities		755,814
Ordinary maintenance and operation		1,018,527
Protective services		58,848
General expense		158,171
Housing assistance payments		2,874,246
Depreciation expense		765,440
		6,961,816

**TOTAL OPERATING EXPENSES**

**OPERATING INCOME (LOSS) (6,162,507)**

**NONOPERATING REVENUES**

Federal operating grants		5,340,229
Gain on sale of capital assets		44,381
Loss on investments in partnerships		(172,688)
Interest income		31,826
		5,243,748

**TOTAL NONOPERATING REVENUES**

**INCOME (LOSS) BEFORE OTHER REVENUES (918,759)**

**CAPITAL CONTRIBUTIONS**

**267,563**

**INCREASE (DECREASE) IN NET ASSETS**

**(651,196)**

**NET ASSETS, BEGINNING OF YEAR**

**19,192,828**

**NET ASSETS, END OF YEAR**

**\$ 18,541,632**

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from residents and other deposits	\$ 736,775
Other receipts (payments)	46,898
Payments to suppliers	(1,523,748)
Payments to/for employees	(1,644,855)
Payments to landlords	<u>(2,874,246)</u>
 Net Cash Flows Provided (Used) by Operating Activities	  <u>(5,259,176)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	<u>5,340,229</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	 <u>5,340,229</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Federal capital grants received	267,563
Gain on sale of capital assets	44,381
Purchase of capital assets	<u>(190,513)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	 <u>121,431</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>31,826</u>
Net Cash Flows Provided by Investing Activities	 <u>31,826</u>

Net change in cash	234,310
 Cash - Beginning of year	 <u>1,760,098</u>
Cash - End of year	\$ <u><u>1,994,408</u></u>

Reconciliation of Cash:

Unrestricted	\$ 1,098,894
Restricted	<u>895,514</u>
Total Cash and Cash Equivalents	\$ <u><u>1,994,408</u></u>

Continued

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(CONTINUED)

RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ (6,162,507)
Adjustments to reconcile net income to net cash	
Provided by operating activities:	
Depreciation	765,440
(Increase) Decrease in:	
Accounts receivable	(18,654)
Inventory and prepaid insurance	126,961
Increase (Decrease) in:	
Accounts payable	24,881
Accrued liabilities	1,685
Deferred revenue	<u>3,018</u>
 Net Cash Flows Provided (Used)	
by Operating Activities	\$ <u><u>(5,259,176)</u></u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008

**NOTE 1 - Summary of Significant Accounting Policies and Organization:**

The financial statements of the HOUSING AUTHORITY OF THE CITY OF KOKOMO ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to special purpose governments engaged in business type activities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Organization:** The HOUSING AUTHORITY OF THE CITY OF KOKOMO ("the Authority") is a political subdivision both corporate and politic which was established under the provision of Indiana Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into annual contributions contracts with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of a public housing program (Contract No. C-941) and a section 8 program (Contract No. C-2034).

**Reporting Entity:**

The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of the City of Kokomo, a primary government. Although it is legally separate from the Kokomo Housing Authority, the Jefferson Crossing Housing Development Corporation is reported as if it were part of the primary government because its sole purpose is to work in conjunction with the Housing Authority to assist with providing housing for low and moderate income individuals, and they have the same governing boards. The Housing Authority also uses the Khatco Corporation to provide training for low and moderate income individuals and Section 8 landlords. Accordingly the Jefferson Crossing Housing Development Corporation's and Khatco, Inc.'s financial information have been blended with the Kokomo Housing Authority.

**Activities of the Housing Authority:**

At December 31, 2008, the Housing Authority had 1,227 units in management and was administering other programs as listed below:

Management

Low-Income Public Housing	553
Section 8 Housing Choice Vouchers	<u>674</u>
TOTAL ALL MANAGEMENT PROGRAMS	<u>1,227</u>

Other Programs

Capital Fund Program

Resident Opportunity and Supportive Services

Business Activities:

Tax Credit Partnership-Jefferson Crossing Housing Development Corp.

Non-Profit Training Company - Khatco, Inc.

Bond Refunding Construction Fund

Until June 30, 2007, the Housing Authority was Contract Administrator under the Section 8 New Construction Program for Briarwick Apartments consisting of 128 units. During 2007, HUD transferred this responsibility to the Performance Based Contract Administrator (PBCA) for this area which is the Indiana Housing Finance Authority.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008  
(Continued)

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

**Basis of Presentation and Accounting:** In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U. S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

The Authority's financial statements are accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements as well as FASB Statements and Interpretation, APB Opinions, and ARBs issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

**Invested in Capital Assets, Net of Related Debt:** Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Authority has no debt.

**Restricted Assets:** Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service. The Authority has restricted funds totaling \$284,711 that represent excess HAP grant funding provided by the Department of Housing and Urban Development for the sole purpose of providing assistance payments to eligible individuals through the Housing Choice Voucher Program. The requirements imposed by HUD represent a legally enforceable requirement upon this program.

**Unrestricted Assets:** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

**Budgets:** Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The budgets are approved by the Board of Commissioners. Subsequent budget revisions must also be approved by the Board. The capital fund budgets are adopted on a "project length"

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008  
(Continued)

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

basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

**Cash Equivalents:** Cash equivalents consist principally of checking accounts and savings accounts. These are stated at fair value.

**Interprogram Receivables and Payables:** Interprogram receivables/payables are all current, and are the result of the use of the Low Income Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all interprogram balances net zero. Offsetting due to/due from balances are eliminated for the financial statement presentation.

**Investments:** Investments are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by HUD. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by the Authority's agent through the State of Indiana Public Deposit Fund. It is the Authority's policy that all funds on deposit are collateralized in accordance with both HUD requirements and requirements of the State of Indiana.

**Inventories:** Inventories (consisting of materials and supplies) are valued at cost using the first in, first out (FIFO) method. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. In accordance with the consumption method, inventory is expensed when items are actually placed in service.

**Prepaid Items:** Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid items.

**Restricted Assets:** Certain assets may be classified as restricted assets on the balance sheet because their use is restricted by contracts or agreements with outside third parties. When both restricted and unrestricted resources are available for use, it is the Authorities policy to use unrestricted resources first, then restricted, as they are needed.

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

**Capital Assets:**

**a. Book Value:** All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost. Land values were derived from development closeout documentation.

Donated capital assets are recorded at their fair value at the time they are received.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008  
(Continued)

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

**Capital Assets** (continued):

All normal expenses of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

**b. Depreciation:** The cost of buildings and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method.

Depreciation commences on modernization and development additions in the year following completion.

The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings & Improvements	15-40 years
Furniture, Equipment & Machinery	3-7 years

**c. Maintenance and Repairs Expenditures:** Maintenance and repairs expenditures are charged to operations when incurred. Property additions, equipment and betterments with an initial cost in excess of \$500 and with an anticipated useful life of more than one year are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

**Compensated Absences:** Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with GASB Standards. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place. Any portion of vacation time not taken by December 31 will be forfeited.

**Annual Contribution Contracts:** Annual Contribution Contracts provide that HUD shall have the authority to audit and examine the records of public housing authorities. Accordingly, final determination of the Authority's financing and contribution status for the Annual Contribution Contracts is the responsibility of HUD based upon financial reports submitted by the Authority.

**Risk Management:** The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all property and equipment, employee health and accident insurance, general liability, fire and extended coverage, fidelity bond, automobile, and Director and Officers liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008  
(Continued)

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

**Risk Management: (continued)**

The Authority also participates in a public entity risk pool (Housing Authority's Risk Retention Pool, Inc.). Settled claims resulting from these risks have not exceeded risk pool coverage in any of the past three fiscal years. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.

**Operating Revenues and Expenses:** Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Leasing Activities (as Lessor):** The Authority is the Lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Rental Income". Rental Income per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions, such as local job availability, which impact personal income.

**NOTE 2 - Deposits, Cash and Cash Equivalents, and Investments:**

**1. HUD Deposit Restrictions**

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

**2. Risk Disclosures**

**A. Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At December 31, 2008, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

**B. Credit Risk:** This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008  
(Continued)

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

be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

**C. Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name. The carrying amounts of the Authority's cash deposits were \$1,994,408 at December 31, 2008. Bank balances before reconciling items were \$2,055,776 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name.

Cash and Deposits at December 31, 2008, consist of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash/Checking accounts	\$ 1,771,002	\$ 1,832,370
Money Market/Savings	223,406	223,406
Total cash and deposits	<u>\$ 1,994,408</u>	<u>\$ 2,055,776</u>

**NOTE 3 - Accounts Receivable:**

Accounts receivables at December 31, 2008, consist of the following:

HUD	\$ 12,529
Tenant Receivables	
Net of Allowance for Doubtful Accounts of \$18,862	32,608
Total	<u>\$ 45,137</u>

**NOTE 4 - Inventory:**

Inventory at December 31, 2008 consists of the following:

Inventory, net of allowance of \$2,738	<u>\$ 59,242</u>
--	------------------

**NOTE 5 - Capital Assets:**

A summary in changes in capital assets is as follows:

	<u>Beginning Balance 12/31/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 12/31/08</u>
Capital assets, not being depreciated:				
Land	\$ 1,178,344	\$ 0	\$ ( 34,336)	\$ 1,144,008
Construction in Progress	1,303,150	269,047	(489,020)	1,083,177
Total Capital Assets, not being depreciated	<u>2,481,494</u>	<u>269,047</u>	<u>(523,356)</u>	<u>2,227,185</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008  
(Continued)

NOTE 5 - Capital Assets: (continued)

Capital Assets, being depreciated:				
Buildings and Improvements	25,584,159	469,401	(163,452)	25,890,108
Furniture, equipment & Machinery	<u>1,294,026</u>	<u>62,307</u>	<u>(206,166)</u>	<u>1,150,167</u>
Total Capital Assets, being depreciated	<u>26,878,185</u>	<u>531,708</u>	<u>(369,618)</u>	<u>27,040,275</u>
Less Accumulated Depreciation for:				
Buildings	(10,641,200)	( 711,782)	77,640	(11,275,342)
Furniture, equipment & Machinery	<u>( 1,166,358)</u>	<u>( 53,658)</u>	<u>205,092</u>	<u>( 1,014,924)</u>
Total Depreciation	<u>(11,807,558)</u>	<u>( 765,440)</u>	<u>282,732</u>	<u>(12,290,266)</u>
Total Capital Assets, being depreciated, net	<u>15,070,627</u>	<u>(233,732)</u>	<u>( 86,886)</u>	<u>14,750,009</u>
Capital Assets, Net	<u>\$17,552,121</u>	<u>\$ 35,315</u>	<u>\$ (610,242)</u>	<u>\$16,977,194</u>

Depreciation expense for the year was: \$765,440

The following is a schedule of significant capital construction projects of the Authority with remaining commitment amounts as of December 31, 2008:

Various Projects	<u>\$ 0</u>
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NOTE 6 - Investments in Joint Ventures:

Investments at December 31, 2008 consist of the following:

Tax Credit Partnership - Jefferson Crossing Housing Development Corporation	<u>\$ (279,370)</u>
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The Housing Authority entered into a limited partnership (Jefferson Crossing Limited Partnership) agreement for the purpose of constructing and managing a 90-unit complex of 62 two bedroom units and 28 three bedroom units. Jefferson Crossing Apartments must lease 18%, sixteen units, to low income families. The partnership has received tax credits from the State of Indiana. The Housing Authority holds a .51% general partnership interest, with the remaining 99.49% general and limited partnership interests held by unrelated investors. The Housing Authority Partnership interest is \$(279,370). The partnership is accounted for on the equity basis of accounting. The decrease in equity for this fiscal year is \$172,688.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008  
(Continued)

**NOTE 7 - Accounts Payable:**

Accounts payable at December 31, 2008 consist of the following:

Vendors' Accounts Payable	\$ 108,058
Tenant Security Deposits	85,080
Other Liabilities	100
Accrued Wages/Payroll Taxes Payable	<u>3,084</u>
 TOTAL	 <u>\$ 196,322</u>

**NOTE 8 - Deferred Revenue:**

Deferred Revenue at December 31, 2008, consists of the following:

Tenant prepaid rents	<u>\$ 14,192</u>
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**NOTE 9 - Other Noncurrent Liabilities:**

Other noncurrent liabilities at December 31, 2008, consist of the following:

	<u>12/31/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/08</u>
Family Self-Sufficiency				
Escrow Deposits	<u>\$ 42,780</u>	<u>\$ 1,685</u>	<u>\$ 0</u>	<u>\$ 44,465</u>

**NOTE 10 - Restricted Net Assets:**

The restricted net assets are as follows:

Business Activities - Construction Fund	\$ 175,935
Low Rent - Scattered Sites Rehab Fund	175,643
Section 8 HCV Housing Assistance Payment (HAP) Equity	<u>284,711</u>
 Total	 <u>\$ 636,289</u>

**NOTE 11- Federal Operating Grants:**

HUD contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Low Rent Public Housing	\$ 1,733,527
ROSS	99,201
Housing Choice Vouchers	3,112,007
Capital Fund Program	<u>395,494</u>
 TOTAL	 <u>\$ 5,340,229</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008  
(Continued)

**NOTE 12- Capital Contributions:**

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended December 31, 2008 were \$395,494.

**NOTE 13- Contingencies:**

Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. All amounts receivable from HUD as of December 31, 2008, have been received by the Authority.

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the authority in the current and prior years. There were no examinations during the year ended December 31, 2008. Areas of noncompliance, if any, as a result of examinations would be reported in the "Schedule of Findings and Questioned Costs" section of this report.

There were certain major construction projects in progress at December 31, 2008. These include modernizing the inside and outside of rental units at the project sites. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred. At December 31, 2008, the Authority had not yet spent a total of \$1,179,060 available from the Capital Fund Program grants.

**Note 14- Defined Contribution Plan:**

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan. The name of the plan is the Employees Money Purchase Plan. The entity that administers the plan is Fortis Benefits Insurance. The Authority's Board of Commissioners is authorized to establish and amend the plan benefits.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account, the returns earned on investments of those contribution and forfeitures of other participants' benefits that may be allocated to such participant's account. As established by the Authority's personnel policy, all full-time employees of the Authority must participate in the pension plan beginning 6 months from the date they are hired. As determined by the plan provisions, the Authority's contributions are an amount equal to 9.0% of the employee's base salary each month. Contributions made by the Authority vest after five years of full time employment. An Employee who leaves the employment of the Authority is entitled to the Authority's contributions to the extent vested and the earnings on these amounts. Authority contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Authority's current-period contribution requirement. During the year ended December 31, 2008, the Authority's required and actual contributions were \$107,963.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008  
(Continued)

**Note 14- Defined Contribution Plan:** (continued)

No pension plan provision changes occurred during the year that affected the required contributions to be made by the Authority. The Kokomo Housing Authority Employees Money Purchase Plan held no securities of the Authority or other related parties during the year or as of the close of the fiscal year ended December 31, 2008.

The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**NOTE 15- Conduit Type Debt:**

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority. Additionally, HUD no longer provides debt service information to the Authority.

**NOTE 16- Economic Dependency:**

The Authority receives approximately 82% of its revenues from the U.S. Department of Housing and Urban Development (HUD). If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

SUPPLEMENTAL FINANCIAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

COMBINING SCHEDULE OF ASSETS, LIABILITIES, AND NET ASSETS  
DECEMBER 31, 2008

	C-941	Annual Contribut.
	Low Income Public Housing	C-2034E Section 8 Housing Choice Voucher Program
<b>ASSETS</b>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 254,183	\$ 465,823
Accounts receivable, net	32,608	0
Interprogram	0	0
Inventory, net	0	0
Total Current Assets	286,791	465,823
<u>Noncurrent Assets</u>		
Restricted assets		
Restricted Cash	384,885	319,039
Capital assets		
Land and other nondepreciable assets	2,014,277	0
Depreciable capital assets, net	14,170,087	0
Total Capital Assets	16,184,364	0
Investments in partnerships	0	0
Total Noncurrent Assets	16,569,249	319,039
TOTAL ASSETS	16,856,040	784,862
<b>LIABILITIES</b>		
<u>Current liabilities</u>		
Accounts payable	182,067	2,637
Interprogram	13,747	344,059
Deferred revenue	14,192	0
Total current liabilities	210,006	346,696
<u>Noncurrent liabilities</u>		
Escrow deposits	13,429	31,036
Total Noncurrent liabilities	13,429	31,036
TOTAL LIABILITIES	223,435	377,732
<b>NET ASSETS</b>		
Unrestricted	272,598	122,419
Restricted	175,643	284,711
Investment in capital assets	16,184,364	0
TOTAL NET ASSETS	\$ 16,632,605	\$ 407,130

ions Contracts

C-941		C-941		Business Activities	Interfund Elimination	Total
Resident Opportunity & Supportive Services	Central Office Cost Center					
\$ 0	\$ 274,789	\$ 104,099	\$ 0	\$ 0	\$ 1,098,894	
12,529	0	0	0	0	45,137	
0	372,095	55	(372,150)	0	0	
0	59,242	0	0	0	59,242	
<u>12,529</u>	<u>706,126</u>	<u>104,154</u>	<u>(372,150)</u>		<u>1,575,423</u>	
0	13,840	177,750	0	0	895,514	
0	202,723	10,185	0	0	2,227,185	
0	579,922	0	0	0	14,750,009	
0	<u>782,645</u>	<u>10,185</u>	<u>0</u>	<u>0</u>	<u>16,977,194</u>	
0	0	(279,370)	0	0	(279,370)	
0	<u>796,485</u>	<u>(91,435)</u>	<u>0</u>	<u>0</u>	<u>17,593,338</u>	
<u>12,529</u>	<u>1,502,611</u>	<u>12,719</u>	<u>(372,150)</u>		<u>18,796,611</u>	
0	11,618	0	0	0	196,322	
12,529	0	1,815	(372,150)	0	0	
0	0	0	0	0	14,192	
<u>12,529</u>	<u>11,618</u>	<u>1,815</u>	<u>(372,150)</u>		<u>210,514</u>	
0	0	0	0	0	44,465	
0	0	0	0	0	44,465	
<u>12,529</u>	<u>11,618</u>	<u>1,815</u>	<u>(372,150)</u>		<u>254,979</u>	
0	708,348	(175,216)	0	0	928,149	
0	0	175,935	0	0	636,289	
0	<u>782,645</u>	<u>10,185</u>	<u>0</u>	<u>0</u>	<u>16,977,194</u>	
<u>\$ 0</u>	<u>\$ 1,490,993</u>	<u>\$ 10,904</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,541,632</u>	

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	C-941	Annual Co C-2034E
		Section 8 Housing Choice Voucher Program
	Low Income Public Housing	
<b><u>OPERATING REVENUES</u></b>		
Rental income	\$ 752,411	\$ 0
Other income	23,437	0
<b>TOTAL OPERATING REVENUE</b>	<b>775,848</b>	<b>0</b>
<b><u>OPERATING EXPENSES</u></b>		
Administrative	872,524	279,089
Tenant services	97,290	59,495
Utilities	738,955	13,701
Ordinary maintenance and operation	947,425	24,519
Protective services	57,661	355
General expense	122,182	11,736
Housing assistance payments	0	2,874,246
Depreciation expense	730,640	0
<b>TOTAL OPERATING EXPENSES</b>	<b>3,566,677</b>	<b>3,263,141</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(2,790,829)</b>	<b>(3,263,141)</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>		
Federal operating grants	1,733,527	3,112,007
Gain on sale of capital assets	44,326	0
Loss on investments in partnerships	0	0
Interest income	9,980	10,170
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>1,787,833</b>	<b>3,122,177</b>
<b>INCOME (LOSS) BEFORE OTHER REVENUES</b>	<b>(1,002,996)</b>	<b>(140,964)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>0</b>	<b>0</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(1,002,996)</b>	<b>(140,964)</b>
NET ASSETS - BEGINNING OF YEAR, as originally stated	16,972,544	548,094
Equity transfers	663,057	0
NET ASSETS - BEGINNING OF YEAR, as restated	<b>17,635,601</b>	<b>548,094</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 16,632,605</b>	<b>\$ 407,130</b>

Contributions Contracts

C-941 Resident Opportunity & Supportive Services	C-941 Central Office Cost Center	C-941 Capital Fund Program	Business Activities	Elimination	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 752,411
0	625,597	0	0	(602,136)	46,898
0	625,597	0	0	(602,136)	799,309
1,844	525,539	0	930	(602,136)	1,077,790
96,195	0	0	0	0	252,980
0	3,158	0	0	0	755,814
1,162	45,421	0	0	0	1,018,527
0	832	0	0	0	58,848
0	24,253	0	0	0	158,171
0	0	0	0	0	2,874,246
0	34,800	0	0	0	765,440
99,201	634,003	0	930	(602,136)	6,961,816
(99,201)	(8,406)	0	(930)	0	(6,162,507)
99,201	0	395,494	0	0	5,340,229
0	0	0	55	0	44,381
0	0	0	(172,688)	0	(172,688)
0	8,909	0	2,767	0	31,826
99,201	8,909	395,494	(169,866)	0	5,243,748
0	503	395,494	(170,796)	0	(918,759)
0	0	267,563	0	0	267,563
0	503	663,057	(170,796)	0	(651,196)
0	1,490,490	0	181,700	0	19,192,828
0	0	(663,057)	0	0	0
0	1,490,490	(663,057)	181,700	0	19,192,828
\$ 0	\$ 1,490,993	\$ 0	\$ 10,904	\$ 0	\$ 18,541,632

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

SCHEDULE OF MCKINNEY ACT BOND REFINANCING RECEIPTS AND EXPENDITURES  
DECEMBER 31, 2008

	Total <u>Balance</u>	Unrestricted <u>Balance</u>	Restricted <u>Balance</u>
Audited Balance at December 31, 2007	\$ 217,590	\$ 41,325	\$ 176,265
Funds received	0	0	0
Interest earnings	2,131	2,131	0
Funds expended	330	0	330
Balance at December 31, 2008	<u>\$ 219,391</u>	<u>\$ 43,456</u>	<u>\$ 175,935</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED  
DECEMBER 31, 2008

Annual Contributions Contract C-941

501-04

1. The Capital Fund Grant Costs are as follows:

Funds Approved	\$	845,176
Funds Expended		<u>845,176</u>
Excess / (Deficiency) of Funds Approved	\$	<u>0</u>
Funds Advanced	\$	845,176
Funds Expended		<u>845,176</u>
Excess / (Deficiency) of Funds Advanced	\$	<u>0</u>

- Costs additions totaling \$ 6,826 were made during the current audit period and, accordingly, were audited by Jean Sickels, CPA.
- The total amount of the Capital Fund Grant Costs at December 31, 2008 as shown above are in agreement with the Actual Development Cost Certificate submitted to HUD and approved by HUD.
- All Capital Fund grant work in connection with the Project has been completed.
- All liabilities have been paid and there are no undischarged liens against the Project on file in any public office where the same should be filed in order to be valid and the time in which such liens could be filed has expired.
- There were no budget overruns.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>BUDGET</u>	<u>EXPENDITURES</u>
	<u>U. S. DEPARTMENT OF HUD</u>			
C-941	Low Income Public Housing	14.850	1,733,527	1,733,527
C-941	Resident Opportunity and Supportive Services	14.870	250,000	99,201
C-2034	Section 8 Housing Choice Voucher	14.871	3,112,007	3,112,007
C-941	Capital Fund Program	14.872	<u>3,997,959</u>	<u>663,057</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b><u>\$ 9,093,493</u></b>	<b><u>\$5,607,792</u></b>

Notes to Schedule of Expenditures of Federal Awards:

The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting as described in Note A to the Financial Statements.

OTHER REPORTS

# Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Housing Authority of the City of Kokomo  
P O Box 1207  
Kokomo, Indiana 46903-1207

I have audited the financial statements of the Housing Authority of the City of Kokomo, as of and for the year ended December 31, 2008 and have issued my report thereon dated August 20, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

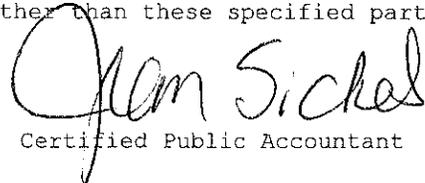
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Kokomo's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the management of the Housing Authority of the City of Kokomo in a separate letter dated August 20, 2009.

This report is intended solely for the information and use of the audit committee, management, Department of Housing and Urban Development, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountant

Fredericksburg, Indiana  
August 20, 2009

# Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

Board of Commissioners  
Housing Authority of the City of Kokomo  
P O Box 1207  
Kokomo, Indiana 46903-1207

## Compliance

I have audited the compliance of the Housing Authority of the City of Kokomo with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The Housing Authority of the City of Kokomo's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the City of Kokomo's management. My responsibility is to express an opinion on the Housing Authority of the City of Kokomo's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Kokomo's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Housing Authority of the City of Kokomo's compliance with those requirements.

In my opinion, the Housing Authority of the City of Kokomo complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

## Internal Control Over Compliance

The management of the Housing Authority of the City of Kokomo is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Authority of the City of Kokomo's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

This report is intended solely for the information and use of the audit committee, management, Department of Housing and Urban Development, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant

Fredericksburg, Indiana  
August 20, 2009

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

DECEMBER 31, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
~ Material weakness(es) identified?       yes   X  no  
~ Significant deficiency identified that are  
not considered to be material weaknesses?       yes   x  none reported

Noncompliance material to financial statements  
noted?       yes   X  no

FEDERAL AWARDS

Internal control over major programs:  
~ Material weakness(es) identified?       yes   X  no  
~ Significant deficiency identified that are  
not considered to be material weakness(es)?       yes   X  none reported

Type of auditor's report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with section 510(a)  
of Circular A-133?       yes   X  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Housing Choice Vouchers
14.872	Capital Fund

Dollar threshold used to distinguish  
between type A and type B programs:   \$ 300,000  

Auditee qualified as low-risk auditee?   X  yes       no

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no Financial Statement Findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no Federal Award Findings.

# Jean Sickels

## Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120

phone (812) 472-3527

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cell (404) 307-5903

August 20, 2009

Management and  
Board of Commissioners of the  
Housing Authority of the City of Kokomo  
Kokomo, Indiana

In planning and performing my audit of the financial statements of the Housing Authority of the City of Kokomo for the year ended December 31, 2008, I considered the Authority's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect my report dated August 20, 2009 on the financial statements of the Authority.

I will review the status of the comment during my next audit engagement. I have already discussed the comment and suggestion with Authority personnel, and will be pleased to discuss the comment in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation. My comment is summarized as follows:

1. CONDITION: CLIENT FILES

In a sample of 40 files, 1 - 214 Immigration Status Form was not filled out.

RECOMMENDATION:

The Authority should review all Client Files at each annual re-exam and make sure citizenship is properly documented for all members of the household.

2. CONDITION: INVENTORY

During the physical inventory the following were noted: 1) one count did not match 2) one extension was not accurate 3) a slow moving item was not included on the allowance.

RECOMMENDATION:

The Authority should conduct a complete inventory where the extensions and slow moving items are thoroughly checked.

3. CONDITION: SUPPORT FOR TRAVEL VOUCHERS

During the examination of the credit card bills it was noted that one bill lacked support for the hotel expense.

RECOMMENDATION:

The Authority should ensure that all invoices are completely documented before processing the voucher.

4. CONDITION: GENERAL DEPOSITORY AGREEMENTS

The Authority does not have current executed general depository agreements for 2 financial intuitions.

RECOMMENDATION:

The Authority should get the current general depository agreements executed.

5. CONDITION: FORM 60002

The Authority has not filed the form for the 01/01/2008 to 12/31/2008 year.

RECOMMENDATION:

The Authority should complete the forms for all open grants.

6. CONDITION: DAVIS BACON

The Authority has not documented comparing the HUD-11 employee interviews with the contractor payrolls.

RECOMMENDATION:

The Authority should complete the HUD-11 payroll examination section to document the comparison.

I wish to thank the Executive Director and the staff of the Authority for their support and assistance during my audit.

This report is intended solely for the information and use of the Board of Commissioners, Management, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

  
Jean Sickels  
Certified Public Accountant