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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, 2009 to December 31, 2009. 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, 2009 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, 2009

Jean Sickels

Certified Public Accountant

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Fredericksburg, IN 47120
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KOKOMO
HOUSING AUTHORITY

Kokomo, Indiana
DECEMBER 31, 2009

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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 accompanying financial statements of the Housing Authority of the City of Kokomo ("the Authority") as of and for the year ended December 31, 2009, which comprise the Housing Authority of the City of Kokomo's basic financial statements 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, 2009, and the changes in financial position and cash flows, where applicable, thereof 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 11, 2010 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 on pages i through x, is not a required part of the basic 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 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 Financial Data Schedule, Schedule of Expenditures of Federal Awards and the other supplemental information as listed in the table of contents and as required by the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations 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 basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Certified Public Accountant

Fredericksburg, Indiana
August 11, 2010

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis
December 31, 2009

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, 2009. 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, 2009, were \$19,097,534. Total liabilities were \$507,224. Total assets exceeded liabilities by \$18,590,310 (net assets). The Housing Authority's net assets increased by \$48,678 during the year ended December 31, 2009.

Total revenues for the year ended December 31, 2009 were \$7,174,799. Total expenditures for the year ended December 31, 2009, were \$7,126,121. Expenditures exceeded revenues by \$48,678 for the year.

During 2009, the following grants were closed: Capital Fund IN36P00750105 of \$802,639 and Capital Fund IN3600750106 of \$795,143 along with ROSS Resident Services Delivery Model (RSDM) Grant IN007REF047A005 of \$250,000.

As of December 31, 2009, the Authority's investment in capital assets was \$17,058,389 (net of accumulated depreciation). This investment includes land, buildings, improvements, and equipment. Capital outlays for the year were \$912,758.

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.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2009

(Continued)

Overview of the Financial Statements (continued)

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.

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, 2009.

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, 2009. The Statement of Changes in Net Assets summarizes the revenues and sources of those revenues generated during the year ended December 31, 2009, and the expenses incurred in operating the Housing Authority for the year ended December 31, 2009.

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.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2009

(Continued)

Statement of Net Assets

December 31, 2009

<u>ASSETS</u>	FYE Dec. 31, 2009	FYE Dec. 31, 2008	Net Change
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 1,580,985	\$ 1,098,894	\$ 482,091
Accounts Receivable	19,447	27,812	(8,365)
Prepaid Expense	1,614	0	1,614
Inventory	55,986	59,242	(3,256)
Total Current Assets	<u>1,658,032</u>	<u>1,185,948</u>	<u>472,084</u>
Capital Assets, Net	<u>17,058,389</u>	<u>16,977,194</u>	<u>81,195</u>
Restricted Cash	645,944	895,514	(249,570)
Mortgages Receivable	15,400	17,325	(1,925)
Investments in Partnerships	(280,231)	(279,370)	(861)
Total Other Assets	<u>381,113</u>	<u>633,469</u>	<u>(252,356)</u>
Total Assets	<u>19,097,534</u>	<u>18,796,611</u>	<u>300,923</u>
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts Payable	87,893	111,242	(23,349)
Payable from restricted cash and cash equivalents:			
Tenant's security deposits	84,424	85,080	(656)
Deferred revenue	289,555	14,192	275,363
Total Current Liabilities	<u>461,872</u>	<u>210,514</u>	<u>251,358</u>
<u>Noncurrent Liabilities</u>			
Other noncurrent liabilities	45,352	44,465	887
Total Noncurrent Liabilities	<u>45,352</u>	<u>44,465</u>	<u>887</u>
Total Liabilities	<u>507,224</u>	<u>254,979</u>	<u>252,245</u>
<u>Net Assets</u>			
Unrestricted	1,103,752	928,149	175,603
Restricted	428,169	636,289	(208,120)
Investment in capital assets	17,058,389	16,977,194	81,195
Total Net Assets	<u>\$ 18,590,310</u>	<u>\$ 18,541,632</u>	<u>\$ 48,678</u>

Significant Changes in the Statement of Net Assets

Cash and Cash Equivalents increased from \$1,098,894 in FY 2008 to \$1,580,985 in FY 2009 due to Net Income of \$852,478, not including Depreciation (noncash) Expense of \$802,939 and extraordinary (noncash) loss of \$861, deferred revenues of \$289,555 including \$267,846 of HAP and admin fee subsidy for 2010 paid in 2009, less outlays for capital assets of \$912,757 and purchase of \$104,049 in government bonds.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2009

(Continued)

Significant Changes in the Statement of Net Assets (continued)

Accounts Receivable for the Housing Authority decreased from \$27,812 in FY 2008 to \$19,447 in FY 2009.

Prepaid Expense increased from \$0 in FY 2008 to \$1,614 in FY 2009. In FY 2008, no insurance coverage for the next year was prepaid, but in FY 2009 the Housing Authority had prepaid \$1,614 for 2010 insurance coverage.

Inventory decreased from \$59,242 in FY 2008 to \$55,986 in FY 2009. Inventories increased by \$227, but the allowance for obsolete inventory was increased by \$3,483 resulting in the net decrease of \$3,256.

Other assets decreased from \$633,469 in FY 2008 to \$381,113 in FY 2009. The non-current portion of a Section 32 Low Income Homeownership silent second mortgage decreased by \$1,925 (one-tenth) from \$17,325 in 2008 to \$15,400 in 2009. In addition, HCV Program HAP Equity decreased by \$179,595 due to \$179,692 of HAP expense over what was received from HUD for HAP funding and a net \$97 in fraud recovery and interest. During 2009, \$861 was recorded as a decrease in our investment in the Jefferson Crossing joint venture. \$28,619 was spent from the Construction Fund restricted assets, and Family Self-Sufficiency Escrows decreased by \$3,772.

Accounts Payable decreased from \$111,232 in FY 2008 to \$87,893 in FY 2009. Accrued utility expense decreased by \$41,495 to \$61,187, and other vendor accruals increased by \$18,156 and consists of \$1,513 for payroll related accruals, \$12,144 in accrued software/training expenses and \$11,178 for payment for fire restoration, \$1,056 for IDA funds payable to eligible homeownership participants, and \$815 for other accounts payable.

Tenant Security Deposits decreased from \$85,080 as of December 31, 2008, to \$84,424 as of December 31, 2009.

Deferred revenue, which increased from \$14,192 in FY 2008 to \$289,555 in FY 2009, consisted only of the amount of tenant prepaid rent in 2008. January 1st is a holiday each year so residents who receive disability payments from the Federal government received their payments on December 31, 2008, and December 31, 2009. Many of these residents prepaid their January rent. At FYE 2008, 147 residents had prepaid \$14,192 of January 2009 rent. At FYE 2009, 172 residents had prepaid 2010 rent accounting for \$21,309 in deferred revenue. In addition, HUD prepaid for the January 2010 HAP and Administrative Fee subsidy of \$267,846 at the end of 2009, and KHA received a prepayment of \$400 for non-dwelling rentals.

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 \$44,465 in FY 2008 to \$45,352 in FY 2009.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2009

(Continued)

Significant Changes in the Statement of Net Assets (continued)

Unrestricted Net Assets increased from \$928,149 in FY 2008 to \$1,103,752 in FY 2009. Kokomo Housing Authority experienced a gain in operating reserves of \$183,332 for 2009 in the Low Income Public Housing program, an increase of \$880 in Business Activities, and a reduction of \$8,609 in the Section 8 Voucher program resulting in the net reduction of \$175,603.

Restricted Net Assets decreased from \$636,289 in FY 2008 to \$428,169 in FY 2009. 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 \$195; \$28,619 was spent from the restricted construction fund mostly for architectural fees, and \$179,595 in Housing Choice Voucher HAP Equity was spent for HAP payments made over HAP funding received resulting in the \$208,120 net decrease.

Changes in Net Assets

<u>OPERATING REVENUES</u>	FYE Dec. 31, 2009	FYE Dec. 31, 2008	Net Change
Rental income	\$ 787,593	\$ 752,411	\$ 35,182
Other income	<u>32,344</u>	<u>46,898</u>	<u>(14,554)</u>
TOTAL OPERATING REVENUE	<u>819,937</u>	<u>799,309</u>	<u>20,628</u>
 <u>OPERATING EXPENSES</u>			
Administrative	1,141,394	1,077,790	63,604
Tenant services	196,722	252,980	(56,258)
Utilities	680,386	755,814	(75,428)
Ordinary maintenance & operation	1,083,667	1,013,673	69,994
Protective services	58,756	58,848	(92)
Casualty loss - not capitalized	12,473	4,854	7,619
General expense	158,724	158,171	553
Housing assistance payments	2,991,060	2,874,246	116,814
Depreciation expense	<u>802,939</u>	<u>765,440</u>	<u>37,499</u>
TOTAL OPERATING EXPENSES	<u>7,126,121</u>	<u>6,961,816</u>	<u>164,305</u>
OPERATING INCOME (LOSS)	<u>(6,306,184)</u>	<u>(6,162,507)</u>	<u>(143,677)</u>
 <u>NONOPERATING REVENUES</u>			
Federal grants	5,518,243	5,340,229	178,014
Gain or loss on capital assets	1,005	44,381	(43,376)
Extraordinary items, gain/loss	(861)	(172,688)	171,827
Interest income	<u>2,884</u>	<u>31,826</u>	<u>(28,942)</u>
TOTAL NONOPERATING REVENUE	<u>5,521,271</u>	<u>5,243,748</u>	<u>277,523</u>
 CAPITAL CONTRIBUTIONS	 <u>833,591</u>	 <u>267,563</u>	 <u>566,028</u>

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2009

(Continued)

Significant Changes in the Statement of Net Assets (continued)

CHANGE IN NET ASSETS	<u>48,678</u>	<u>(651,196)</u>	<u>699,874</u>
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>18,541,632</u>	<u>19,192,828</u>	<u>(651,196)</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 18,590,310</u>	<u>\$ 18,541,632</u>	<u>\$ 48,678</u>

Administrative salaries and benefits increased by \$40,356 due to increased salary and benefit costs resulting from annual raises, a promotion and an additional position. A part-time housing inspector position was added, and the Housing Choice Voucher Receptionist was promoted to Application Processing Clerk. The other significant increase resulted from paying unemployment benefits of \$16,960 in 2009 and none in 2008. Other administrative expenses increased by \$6,288.

Tenant services decreased by \$56,258. Salary and benefit costs increased by \$6,282 due to annual raises. Resident Services increased by \$5,911 in the Low Rent Program due to more program activity by the residents, but the termination of the ROSS RSDM grant, which was used for such activities as resident training and ISA accounts early in 2009 resulted in a decrease of \$68,451.

Utilities expense decreased due to lower costs in each type of utility except electricity. Water and sewage decreased by \$58,845 and gas by \$31,195, but electricity increased by \$14,612 for a net decrease of \$75,428.

Maintenance salaries and benefits increased by \$25,904 due to annual raises and some changes in the Maintenance Department. A Revitalization Tech was promoted to Maintenance Tech Trainee, and a trash collector position was added. Maintenance material costs decreased by \$9,830. Maintenance contract costs increased by \$35,920 due to higher costs for computer monitoring/maintenance, glass & screen repairs, boiler repairs, and miscellaneous contracts.

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. In FY 2009, two units were damaged by fire for a cost of \$ 85,125 and a vehicle deductible of \$842 was paid. \$73,494 was received from insurance resulting in the \$12,473 loss.

General expenses increased during FY 2009 by \$553 from an increase of \$3,307 in insurance costs, a decrease of \$2,000 in tenant rent bad debt and a decrease of \$754 in miscellaneous general expense.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2009

(Continued)

Significant Changes in the Statement of Net Assets (continued)

During the year there was an increase in the number of units leased in the Section 8 Voucher program from 89% in FY 2008 to 93% by the end of 2009 resulting in an increase in Housing Assistance Payments of \$116,814.

Depreciation expense increased from the addition to capital assets of \$889,103 of assets from closed grants and purchases of \$23,655.

The increase in Federal grants is a net result attributed to several programs. Low Rent subsidy increased by \$106,764 mostly due to increased utility expense. HUD decreased the funding level from 88.96% for 2008 to 88.42% for 2009. The Capital fund grants received \$32,888 in increased funding, the ROSS RSDM Homeownership and Service Coordinator Grants received \$59,675 less funding, and the newly awarded Capital Fund Recovery Grant received \$29,242 funding for a net grant funding increase of \$2,455. The Section 8 Voucher subsidy increased by \$68,795.

The decreased gain on capital assets was a result of the sale of the three scattered sites through the Section 32 Homeownership Program during 2008 and none in 2009. The gain in 2009 resulted from the trade-in of a vehicle.

Extraordinary items, gain/loss increased by \$171,827. 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. During 2008, the decrease in equity was \$172,688, and during 2009, the decrease in equity was only \$861.

During FY 2008, interest rates on funds dropped from earning 3% and 4% interest during part of the year to between .10% and 1.74% by the end of the year. During 2009, the rates remained this low during the entire year resulting in the decrease. The Low Rent Public Housing program earned \$15,929 less interest, the Section 8 Voucher program \$9,503 less, and Business Activities - Construction Fund \$2,501 less. In addition, there was a \$1,009 reduction in market value on the FHLMC bonds held by the Section 8 Voucher program resulting in the \$28,942 loss from FY 2008 to FY 2009.

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 2009, the Authority spent \$42,910 more than during 2008 on the projects that were undertaken funded by the usual Capital Grant funding and an additional \$523,118 from the newly awarded Capital Fund Recovery Grant funding.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2009

(Continued)

Financial Position and Results of Operations

The Housing Authority's net assets increased in 2009 from \$18,541,632 in 2008 to \$18,590,310 by \$48,678. The increase in net assets is due to the fact that revenues exceeded expenses for the year. Although the total operating expenses increased by \$164,305, the operating revenue also increased by \$20,628 and the non-operating income increased by \$277,523.

Overall there was an increase in total Federal Grants in 2009 in the amount of \$744,042 due to a 100% (\$552,360) increase in funding for the new Capital Fund Recovery Grant, a 11% (\$75,798) increase from the Capital Fund, a 2% (68,795) increase in funding for the Section 8 Voucher Program, and a 6% (\$106,764) increase for the Low Income Public Housing Program, netted against a 60% (59,675) decrease from the ROSS RSDM and Service Coordinator grants, .

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, 2009:

Land	\$ 1,144,009
Buildings	26,570,592
Furniture and equipment	1,377,640
Construction in Progress	1,054,554
Sub-total	30,146,795
Less: Accumulated Depreciation	(13,088,406)
Capital Assets, net	<u>\$ 17,058,389</u>
Capital Assets at December 31, 2008	\$ 16,977,194
2009 Depreciation	(802,939)
Low Rent Capital Outlays	23,655
Capital Fund Additions	889,102
Decrease in Construction in Progress	(28,623)
Disposals, net of accumulated depreciation	(0)
Capital Assets at December 31, 2009	<u>\$ 17,058,389</u>

Debt

The Housing Authority has no long-term notes or mortgages; however, there is a balance of \$45,352 in noncurrent liabilities consisting entirely of residents' Family Self-Sufficiency escrow deposits. There are also current accounts payables of \$172,317 all of which are due and payable within the year.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2009

(Continued)

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 as in the past, which results

in a per unit month subsidy for all the 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 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, 2010. This budget reflects total operating revenues of \$6,808,016 and total operating expenses of \$6,798,628. KHA based the budget on the Low Rent program being funded at a 94% level. HUD funded the Low Rent Subsidy at an 88.42% level for 2009. For the first nine months of 2009, HUD has funded the Low Rent Subsidy at 100% of eligible funding. If this level continues for the remainder of the 2010 year, the Low Rent Program will receive \$112,866 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 starting in 2008. For years 2004 through 2007, each Housing Authority was paid a flat fee amount for the year, but beginning in 2008, fees have been paid solely on the basis of number of units leased as of the first of each month. The total fee eligibility will be calculated monthly, based on the Authority's VMS reporting. In addition to the normal Housing Assistance Payment (HAP) funding, HUD awarded KHA \$8,939 in subsidy based on 2009 funding and an additional \$81,735 from the 2010 set-aside fund due to our increased leasing levels and increased portability payments going to

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2009

(Continued)

Subsequent Events (continued)

other Housing Authorities. HUD has also funded the administrative fee subsidy by an additional \$12,119 for leasing levels from January 2009 through May 2010 and \$3000 in new Homeownership participants. Using the HAP funding awarded for 2010 and the administrative fees received through August 2010, if the funding level remains the same, the Housing Choice Voucher program may receive \$152,588 more than budgeted.

During 2009, HUD announced that KHA would be awarded a Capital Fund Recovery 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. Since that time, KHA has begun those projects, and the grant is 100% obligated and 97% expended as of July 2010.

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, 2009

ASSETS

Current Assets

Cash	\$ 1,476,936
Accounts receivable, net	34,847
Investments	104,049
Prepaid expenses	1,614
Inventory, net	55,986
Total Current Assets	<u>1,673,432</u>

Noncurrent Assets

Restricted assets

Restricted cash	<u>645,944</u>
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Capital assets

Land and other nondepreciable assets	2,198,563
Depreciable capital assets, net	<u>14,859,826</u>
Total Capital Assets	<u>17,058,389</u>

Total Noncurrent Assets	<u>17,704,333</u>
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TOTAL ASSETS	<u>19,377,765</u>
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LIABILITIES

Current liabilities

Accounts payable	172,317
Deferred revenue	<u>289,555</u>
Total current liabilities	<u>461,872</u>

Noncurrent liabilities

Investments in joint ventures	280,231
Escrow deposits, restricted	<u>45,352</u>
Total Noncurrent liabilities	<u>325,583</u>

TOTAL LIABILITIES	<u>787,455</u>
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NET ASSETS

Unrestricted	1,103,752
Restricted	428,169
Investment in capital assets	<u>17,058,389</u>

TOTAL NET ASSETS	<u>\$ 18,590,310</u>
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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, 2009

OPERATING REVENUES

Total rental income	\$	787,593
Other income		32,344

TOTAL OPERATING REVENUE		819,937
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OPERATING EXPENSES

Administrative		1,141,394
Tenant services		196,722
Utilities		680,386
Ordinary maintenance and operation		1,096,140
Protective services		58,756
General expense		158,724
Housing assistance payments		2,991,060
Depreciation expense		802,939

TOTAL OPERATING EXPENSES		7,126,121
--------------------------	--	-----------

OPERATING INCOME (LOSS)		(6,306,184)
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NONOPERATING REVENUES

Federal operating grants		5,518,243
Gain on sale of capital assets		1,005
Loss on investments in partnerships		(861)
Interest income		2,884

TOTAL NONOPERATING REVENUES		5,521,271
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INCOME (LOSS) BEFORE OTHER REVENUES		(784,913)
-------------------------------------	--	-----------

CAPITAL CONTRIBUTIONS		833,591
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INCREASE (DECREASE) IN NET ASSETS		48,678
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NET ASSETS, BEGINNING OF YEAR		18,541,632
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NET ASSETS, END OF YEAR	\$	18,590,310
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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 CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from residents and other deposits	\$ 1,073,246
Other receipts (payments)	32,344
Payments to suppliers	(1,636,200)
Payments to/for employees	(1,717,397)
Payments to landlords	<u>(2,991,060)</u>

Net Cash Flows Provided (Used) by Operating Activities	<u>(5,239,067)</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	<u>5,518,243</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>5,518,243</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Federal capital grants received	833,591
Gain on sale of capital assets	1,004
Purchase of capital assets	<u>(884,134)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(49,539)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(104,049)
Interest income	<u>2,884</u>
Net Cash Flows Provided by Investing Activities	<u>(101,165)</u>

Net change in cash 128,472

Cash - Beginning of year 1,994,408

Cash - End of year \$ 2,122,880

Reconciliation of Cash:

Unrestricted	\$ 1,476,936
Restricted	<u>645,944</u>
Total Cash and Cash Equivalents	\$ <u><u>2,122,880</u></u>

Continued

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ (6,306,184)
Adjustments to reconcile net income to net cash Provided by operating activities:	
Depreciation	802,939
(Increase) Decrease in:	
Accounts receivable	10,290
Inventory and prepaid expenses	1,643
Increase (Decrease) in:	
Accounts payable	(24,005)
Accrued liabilities	887
Deferred revenue	<u>275,363</u>
 Net Cash Flows Provided (Used) by Operating Activities	 \$ <u>(5,239,067)</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, 2009

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, 2009, 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
Capital Fund Recovery Grant 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

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2009
(Continued)

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

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 \$105,123 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" 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.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2009
(Continued)

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

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. 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.

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.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2009
(Continued)

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

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.

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.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2009
(Continued)

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

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, 2009, the Authority's deposits and investments were not limited and all of which are either available on demand or have callable maturities of less than two years.

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

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

Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name. The carrying amounts of the Authority's cash deposits were \$2,226,929 at December 31, 2009. Bank balances before reconciling items were \$2,258,471 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, 2009, consist of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash/Checking accounts	\$ 745,330	\$ 780,322
Money Market/Savings	<u>1,369,350</u>	<u>1,374,100</u>
Total cash and deposits	<u>\$ 2,114,680</u>	<u>\$ 2,154,422</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2009
(Continued)

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

Investments at December 31, 2009, consist of the following:

<u>Investment:</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>	<u>Callable</u>
Government Bonds	<u>\$ 104,049</u>	US Govt Guaranteed	12/30/2019	Yes, 06/30/2010
Total cash, deposits and investments				<u>\$ 2,226,929</u>

NOTE 3 - Accounts Receivable:

Accounts receivables at December 31, 2009, consist of the following:

HUD	\$ 2,216
Current Portion of Mortgage Receivable	1,925
Tenant Receivables	
Net of Allowance for Doubtful Accounts of \$30,760	<u>15,306</u>
Total	<u>\$ 19,447</u>

NOTE 4 - Prepaid Expenses:

Prepaid Expenses at December 31, 2009 consist of the following:

Prepaid Insurance	<u>\$ 1,614</u>
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NOTE 5 - Inventory:

Inventory at December 31, 2009 consists of the following:

Inventory, net of allowance of \$6,221	<u>\$ 55,986</u>
--	------------------

NOTE 6 - Capital Assets:

A summary in changes in capital assets is as follows:

	<u>Beginning Balance</u> <u>12/31/08</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u> <u>12/31/09</u>
Capital assets, not being depreciated:				
Land	\$ 1,144,009	\$ 0	\$ 0	\$ 1,144,009
Construction in Progress	<u>1,083,177</u>	<u>860,480</u>	<u>(889,103)</u>	<u>1,054,554</u>
Total Capital Assets, not being depreciated	<u>2,227,186</u>	<u>860,480</u>	<u>(889,103)</u>	<u>2,198,563</u>
Capital Assets, being depreciated:				
Buildings and Improvements	25,890,108	680,484	0	26,570,592

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2009
(Continued)

NOTE 6 - Capital Assets: (continued)

Furniture, equipment & Machinery	<u>1,150,167</u>	<u>232,273</u>	<u>(4,800)</u>	<u>1,377,640</u>
Total Capital Assets, being depreciated	<u>27,040,275</u>	<u>912,757</u>	<u>(4,800)</u>	<u>27,948,232</u>
Less Accumulated Depreciation for:				
Buildings	(11,275,342)	(736,995)	0	(12,012,337)
Furniture, equipment & Machinery	<u>(1,014,924)</u>	<u>(65,944)</u>	<u>4,800</u>	<u>(1,076,068)</u>
Total Depreciation	<u>(12,290,267)</u>	<u>(802,939)</u>	<u>4,800</u>	<u>(13,088,406)</u>
Total Capital Assets, being depreciated, net	<u>14,750,008</u>	<u>109,818</u>	<u>0</u>	<u>14,859,826</u>
Capital Assets, Net	<u>\$16,977,194</u>	<u>\$ 970,298</u>	<u>\$ (889,103)</u>	<u>\$17,058,389</u>

Depreciation expense for the year was: \$802,939

The following is a schedule of significant capital construction projects of the Authority with remaining commitment amounts as of December 31, 2009:

Various Projects - Capital Fund Recovery Grant	<u>\$386,407</u>
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NOTE 7 - Investments in Joint Ventures:

Investments at December 31, 2009 consist of the following:

Tax Credit Partnership - Jefferson Crossing Housing Development Corporation	<u>\$ (280,231)</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 \$(280,231). The partnership is accounted for on the equity basis of accounting. The decrease in equity for this fiscal year is \$861.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2009
(Continued)

NOTE 8 - Accounts Payable:

Accounts payable at December 31, 2009 consist of the following:

Vendors' Accounts Payable	\$ 85,324
Tenant Security Deposits	84,424
Other Liabilities	1,056
Accrued Wages/Payroll Taxes Payable	<u>1,513</u>
 TOTAL	 <u>\$ 172,317</u>

NOTE 9 - Deferred Revenue:

Deferred Revenue at December 31, 2009, consists of the following:

Tenant prepaid rents	\$ 21,309
Prepaid non-dwelling rent	400
Prepaid HCV Program HUD Subsidy	<u>267,846</u>
 TOTAL	 <u>\$ 289,555</u>

NOTE 10 - Other Noncurrent Liabilities:

Other noncurrent liabilities at December 31, 2009, consist of the following:

	<u>12/31/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/09</u>
Family Self-Sufficiency				
Escrow Deposits	<u>\$ 44,465</u>	<u>\$ 887</u>	<u>\$ 0</u>	<u>\$ 45,352</u>

NOTE 11 - Restricted Net Assets:

The restricted net assets are as follows:

Business Activities - Construction Fund	\$ 147,315
Low Rent - Scattered Sites Rehab Fund	175,738
Section 8 HCV Housing Assistance Payment (HAP) Equity	<u>105,116</u>
 Total	 <u>\$ 428,169</u>

NOTE 12- Federal Operating Grants:

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

Low Rent Public Housing	\$ 1,840,292
ROSS	39,525
Housing Choice Vouchers	3,180,802
Capital Fund/Capital Fund Recovery Grants	<u>457,624</u>
 TOTAL	 <u>\$ 5,518,243</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2009
(Continued)

NOTE 13- Capital Contributions:

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended December 31, 2009, were \$833,591.

NOTE 14- 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, 2009, 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, 2009. 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, 2009. 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, 2009, the Authority had not yet spent a total of \$1,679,401 available from the Capital Fund/Capital Fund Recovery Program grants.

Note 15- 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, 2009, the Authority's required and actual contributions were \$107,055.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2009
(Continued)

Note 15- 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, 2009.

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 16- 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 17- Economic Dependency:

The Authority receives approximately 89% 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, 2009

	C-941	Annual Contribu: C-2034E
	Low Income Public Housing	Section 8 Housing Choice Voucher Program
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 437,086	\$ 312,619
Accounts receivable, net	32,631	0
Investments	0	104,049
Interprogram	0	0
Prepaid expenses	839	226
Inventory, net	0	0
Total Current Assets	470,556	416,894
<u>Noncurrent Assets</u>		
Restricted assets		
Restricted Cash	362,857	133,226
Capital assets		
Land and other nondepreciable assets	2,038,044	0
Depreciable capital assets, net	14,246,453	0
Total Capital Assets	16,284,497	0
Total Noncurrent Assets	16,647,354	133,226
TOTAL ASSETS	17,117,910	550,120
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	168,939	839
Interprogram	88	35,245
Deferred revenue	21,309	267,846
Total current liabilities	190,336	303,930
<u>Noncurrent liabilities</u>		
Investments in joint ventures	0	0
Escrow deposits	18,088	27,264
Total Noncurrent liabilities	18,088	27,264
TOTAL LIABILITIES	208,424	331,194
<u>NET ASSETS</u>		
Unrestricted	449,251	113,810
Restricted	175,738	105,116
Investment in capital assets	16,284,497	0
TOTAL NET ASSETS	\$ 16,909,486	\$ 218,926

ions Contracts

	C-941	C-941	Business	Interfund	Total
	Resident	Central	Activities	Elimination	
	Opportunity	Office			
	& Supportive	Cost			
	Services	Center			
\$	0	\$ 621,391	\$ 105,840	\$ 0	\$ 1,476,936
	0	2,216	0	0	34,847
	0	0	0	0	104,049
	0	35,285	55	(35,340)	0
	0	549	0	0	1,614
	0	55,986	0	0	55,986
	0	<u>715,427</u>	<u>105,895</u>	<u>(35,340)</u>	<u>1,708,772</u>
	0	2,539	147,322	0	645,944
	0	123,445	37,074	0	2,198,563
	0	613,373	0	0	14,859,826
	0	<u>736,818</u>	<u>37,074</u>	<u>0</u>	<u>17,058,389</u>
	0	<u>739,357</u>	<u>184,396</u>	<u>0</u>	<u>17,704,333</u>
	0	<u>1,454,784</u>	<u>290,291</u>	<u>(35,340)</u>	<u>19,377,765</u>
	0	2,539	0	0	172,317
	0	0	7	(35,340)	0
	0	400	0	0	289,555
	0	<u>2,939</u>	<u>7</u>	<u>(35,340)</u>	<u>461,872</u>
	0	0	280,231	0	280,231
	0	0	0	0	45,352
	0	<u>0</u>	<u>280,231</u>	<u>0</u>	<u>325,583</u>
	0	<u>2,939</u>	<u>280,238</u>	<u>(35,340)</u>	<u>787,455</u>
	0	715,027	(174,336)	0	1,103,752
	0	0	147,315	0	428,169
	0	<u>736,818</u>	<u>37,074</u>	<u>0</u>	<u>17,058,389</u>
\$	<u>0</u>	\$ <u>1,451,845</u>	\$ <u>10,053</u>	\$ <u>0</u>	\$ <u>18,590,310</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, 2009

	C-941	Annual Co C-2034E
		Section 8 Housing Choice Voucher Program
<u>OPERATING REVENUES</u>		
Rental income	\$ 787,593	\$ 0
Other income	17,348	1,043
TOTAL OPERATING REVENUE	804,941	1,043
<u>OPERATING EXPENSES</u>		
Administrative	907,133	289,971
Tenant services	121,578	37,431
Utilities	657,521	14,743
Ordinary maintenance and operation	1,041,853	24,358
Protective services	57,011	470
General expense	121,581	11,674
Housing assistance payments	0	2,991,060
Depreciation expense	756,058	0
TOTAL OPERATING EXPENSES	3,662,735	3,369,707
OPERATING INCOME (LOSS)	(2,857,794)	(3,368,664)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Federal operating grants	1,840,292	3,180,802
Gain on sale of capital assets	1,005	0
Loss on investments in partnerships	0	0
Interest income	2,163	(342)
TOTAL NONOPERATING REVENUES (EXPENSES)	1,843,460	3,180,460
INCOME (LOSS) BEFORE OTHER REVENUES	(1,014,334)	(188,204)
CAPITAL CONTRIBUTIONS	0	0
INCREASE (DECREASE) IN NET ASSETS	(1,014,334)	(188,204)
NET ASSETS - BEGINNING OF YEAR, as originally stated	16,632,605	407,130
Equity transfers	1,291,215	0
NET ASSETS - BEGINNING OF YEAR, as restated	17,923,820	407,130
NET ASSETS, END OF YEAR	\$ 16,909,486	\$ 218,926

Contributions Contracts

C-941	C-941	C-941				
Resident Opportunity & Supportive Services	Central Office Cost Center	Capital Fund Programs	Business Activities	Elimination	Total	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 787,593	
0	616,945	0	0	(602,992)	32,344	
<u>0</u>	<u>616,945</u>	<u>0</u>	<u>0</u>	<u>(602,992)</u>	<u>819,937</u>	
908	546,118	0	256	(602,992)	1,141,394	
37,713	0	0	0	0	196,722	
0	8,122	0	0	0	680,386	
904	29,025	0	0	0	1,096,140	
0	1,275	0	0	0	58,756	
0	25,469	0	0	0	158,724	
0	0	0	0	0	2,991,060	
0	46,881	0	0	0	802,939	
<u>39,525</u>	<u>656,890</u>	<u>0</u>	<u>256</u>	<u>(602,992)</u>	<u>7,126,121</u>	
(39,525)	(39,945)	0	(256)	0	(6,306,184)	
39,525	0	457,624	0	0	5,518,243	
0	0	0	0	0	1,005	
0	0	0	(861)	0	(861)	
0	797	0	266	0	2,884	
<u>39,525</u>	<u>797</u>	<u>457,624</u>	<u>(595)</u>	<u>0</u>	<u>5,521,271</u>	
0	(39,148)	457,624	(851)	0	(784,913)	
0	0	833,591	0	0	833,591	
0	(39,148)	1,291,215	(851)	0	48,678	
0	1,490,993	0	10,904	0	18,541,632	
0	0	(1,291,215)	0	0	0	
<u>0</u>	<u>1,490,993</u>	<u>(1,291,215)</u>	<u>10,904</u>	<u>0</u>	<u>18,541,632</u>	
<u>\$ 0</u>	<u>\$ 1,451,845</u>	<u>\$ 0</u>	<u>\$ 10,053</u>	<u>\$ 0</u>	<u>\$ 18,590,310</u>	

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED
DECEMBER 31, 2009

Annual Contributions Contract C-941

	<u>501-05</u>	<u>501-06</u>
1. The Capital Fund Grant Costs are as follows:		
Funds Approved	\$ 802,639	\$ 795,143
Funds Expended	<u>802,639</u>	<u>795,143</u>
Excess / (Deficiency) of Funds Approved	\$ <u>0</u>	\$ <u>0</u>
Funds Advanced	\$ 802,639	\$ 795,143
Funds Expended	<u>802,639</u>	<u>795,143</u>
Excess / (Deficiency) of Funds Advanced	\$ <u>0</u>	\$ <u>0</u>

2. Costs additions totaling \$ 42,398 were made during the current audit period and, accordingly, were audited by Jean Sickels, CPA.

3. The total amount of the Capital Fund Grant Costs at December 31, 2009 as shown above are in agreement with the Actual Development Cost Certificate submitted to HUD and approved by HUD.

4. All Capital Fund grant work in connection with the Project has been completed.

5. 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.

6. There were no budget overruns.

Kokomo Housing Authority (IN007)
KOKOMO, IN

Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/2009

Submission Type: Audited/A-133

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$437,086	\$105,840	\$312,619			\$621,391	\$1,476,936		\$1,476,936
112 Cash - Restricted - Modernization and Development		\$147,322					\$147,322		\$147,322
113 Cash - Other Restricted	\$194,974		\$132,387				\$327,361		\$327,361
114 Cash - Tenant Security Deposits	\$84,424						\$84,424		\$84,424
115 Cash - Restricted for Payment of Current Liabilities	\$83,459		\$839			\$2,539	\$86,837		\$86,837
100 Total Cash	\$799,943	\$253,162	\$445,845	\$0	\$0	\$623,930	\$2,122,880	\$0	\$2,122,880
121 Accounts Receivable - PHA Projects						\$2,216	\$2,216		\$2,216
122 Accounts Receivable - HUD Other Projects									
124 Accounts Receivable - Other Government									
125 Accounts Receivable - Miscellaneous	\$46,066						\$46,066		\$46,066
126 Accounts Receivable - Tenants	-\$13,435						-\$13,435		-\$13,435
126.1 Allowance for Doubtful Accounts - Tenants	-\$17,325					\$0	-\$17,325		-\$17,325
126.2 Allowance for Doubtful Accounts - Other	\$1,925						\$1,925		\$1,925
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery									
128.1 Allowance for Doubtful Accounts - Fraud									
129 Accrued Interest Receivable	\$17,231	\$0	\$0	\$0	\$0	\$2,216	\$19,447	\$0	\$19,447
120 Total Receivables, Net of Allowances for Doubtful Accounts							\$104,049		\$104,049
131 Investments - Unrestricted									
132 Investments - Restricted									
135 Investments - Restricted for Payment of Current Liability	\$639		\$226			\$549	\$1,614		\$1,614
142 Prepaid Expenses and Other Assets						\$62,207	\$62,207		\$62,207
143 Inventories						-\$6,221	-\$6,221		-\$6,221
143.1 Allowance for Obsolete Inventories						\$35,285	\$35,340		\$35,340
144 Inter Program Due From		\$55							
145 Assets Held for Sale	\$818,013	\$253,217	\$550,120	\$0	\$0	\$717,966	\$2,339,316	\$0	\$2,339,316
150 Total Current Assets									
161 Land	\$1,020,564					\$123,445	\$1,144,009		\$1,144,009
162 Buildings	\$25,652,742					\$917,850	\$26,570,592		\$26,570,592
163 Furniture, Equipment & Machinery - Dwellings	\$506,086		\$20,979				\$527,065		\$527,065
164 Furniture, Equipment & Machinery - Administration	\$515,737	\$900				\$333,938	\$850,575		\$850,575
165 Leasehold Improvements									
166 Accumulated Depreciation	-\$12,428,112	-\$900	-\$20,979			-\$638,415	-\$13,088,406		-\$13,088,406
167 Construction in Progress	\$494,362	\$37,074			\$523,118	\$0	\$1,054,554		\$1,054,554
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$15,761,379	\$37,074	\$0	\$0	\$523,118	\$736,818	\$17,058,389	\$0	\$17,058,389

Kokomo Housing Authority (IN007)
KOKOMO, IN

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2009

Submission Type: Audited/A-133

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$722,202						\$722,202		\$722,202
70400 Tenant Revenue - Other	\$65,391						\$65,391		\$65,391
70500 Total Tenant Revenue	\$787,593	\$0	\$0	\$0	\$0	\$0	\$787,593	\$0	\$787,593
70600 HUD PHA Operating Grants	\$2,268,674		\$3,180,802	\$39,525	\$29,242		\$5,518,243		\$5,518,243
70610 Capital Grants	\$310,473				\$523,118		\$833,591		\$833,591
70710 Management Fee						\$433,199	\$433,199	-\$433,199	\$0
70720 Asset Management Fee						\$66,360	\$66,360	-\$66,360	\$0
70730 Book Keeping Fee						\$103,433	\$103,433	-\$103,433	\$0
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue						\$602,992	\$602,992	-\$602,992	\$0
70800 Other Government Grants	\$1,985	\$266	-\$176			\$797	\$2,870		\$2,870
71100 Investment Income - Unrestricted									
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets			\$522				\$522		\$522
71400 Fraud Recovery			\$521				\$31,822		\$31,822
71500 Other Revenue	\$17,348						\$1,005		\$1,005
71600 Gain or Loss on Sale of Capital Assets	\$1,005		-\$164				\$14		\$14
72000 Investment Income - Restricted	\$178								
70000 Total Revenue	\$3,387,256	\$266	\$3,181,503	\$39,525	\$552,360	\$617,742	\$7,778,652	-\$602,992	\$7,175,660
91100 Administrative Salaries	\$214,135		\$136,965			\$369,472	\$740,572		\$740,572
91200 Auditing Fees	\$4,918		\$2,459				\$7,377		\$7,377
91300 Management Fee	\$395,199		\$38,000				\$433,199	-\$433,199	\$0
91310 Book-keeping Fee	\$48,398		\$55,035				\$103,433	-\$103,433	\$0
91400 Advertising and Marketing	\$1,311		\$366				\$1,677		\$1,677
91500 Employee Benefit Contributions - Administrative	\$102,111		\$28,913			\$124,470	\$255,494		\$255,494
91600 Office Expenses	\$35,638		\$27,281			\$22,457	\$85,376		\$85,376
91700 Legal Expense	-\$540	\$23	\$149			\$2,000	\$1,483		\$1,483
91800 Travel	\$305						\$454		\$454
91810 Allocated Overhead									
91900 Other	\$39,298	\$233	\$603	\$908		\$7,719	\$48,961		\$48,961
91000 Total Operating - Administrative	\$840,773	\$256	\$289,971	\$908	\$0	\$546,118	\$1,679,026	-\$536,632	\$1,141,394
92000 Asset Management Fee	\$66,360						\$66,360		\$66,360
92100 Tenant Services - Salaries	\$67,431		\$32,071	\$24,607		\$124,109	\$124,109		\$124,109
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services	\$31,541		\$5,360	\$3,370			\$40,271		\$40,271
92400 Tenant Services - Other	\$22,606			\$9,736			\$32,342		\$32,342
92500 Total Tenant Services	\$121,578	\$0	\$37,431	\$37,713	\$0	\$0	\$196,722	\$0	\$196,722

93100 Water	\$96,245	\$287				\$1,370	\$97,902	\$97,902
93200 Electricity	\$222,986	\$9,609				\$2,266	\$234,751	\$234,751
93300 Gas	\$183,934	\$4,768				\$3,234	\$191,936	\$191,936
93400 Fuel								
93500 Labor	\$154,356	\$179				\$1,262	\$155,797	\$155,797
93600 Sewer								
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense	\$657,521	\$14,743	\$0	\$0	\$8,122	\$680,386	\$680,386	\$680,386
93000 Total Utilities								
94100 Ordinary Maintenance and Operations - Labor	\$413,470	\$189				\$3,320	\$416,979	\$416,979
94200 Ordinary Maintenance and Operations - Materials and Other	\$172,610	\$3,690				\$7,995	\$184,495	\$184,495
94300 Ordinary Maintenance and Operations Contracts	\$274,235	\$20,459	\$904	\$29,242	\$17,381	\$342,221	\$342,221	\$342,221
94500 Employee Benefit Contributions - Ordinary Maintenance	\$139,623	\$20				\$329	\$139,972	\$139,972
94000 Total Maintenance	\$1,000,138	\$24,358	\$904	\$29,242	\$29,025	\$1,083,667	\$1,083,667	\$1,083,667
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs	\$57,011	\$470				\$1,275	\$58,756	\$58,756
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$57,011	\$470	\$0	\$0	\$1,275	\$58,756	\$58,756	\$58,756
96110 Property Insurance	\$73,123	\$2,633				\$1,510	\$77,266	\$77,266
96120 Liability Insurance	\$15,869	\$4,273				\$10,376	\$30,518	\$30,518
96130 Workmen's Compensation	\$13,402	\$3,618				\$3,694	\$25,714	\$25,714
96140 All Other Insurance	\$5,436	\$1,923				\$4,051	\$10,510	\$10,510
96100 Total Insurance Premiums	\$107,830	\$11,547	\$0	\$0	\$24,631	\$144,008	\$144,008	\$144,008
96200 Other General Expenses	\$3,751	\$127				\$638	\$4,716	\$4,716
96210 Compensated Absences								
96300 Payments in Lieu of Taxes								
96400 Bad debt - Tenant Rents	\$10,000						\$10,000	\$10,000
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	\$13,751	\$127	\$0	\$0	\$638	\$14,716	\$14,716	\$14,716
96710 Interest of Mortgage (or Bonds) Payable								
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$2,864,962	\$378,647	\$39,525	\$29,242	\$610,009	\$3,922,641	\$3,922,641	\$3,922,641
97000 Excess of Operating Revenue over Operating Expenses	\$522,294	\$10	\$10	\$523,118	\$7,733	\$3,856,011	\$3,856,011	\$3,856,011
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized	\$12,473						\$12,473	\$12,473
97300 Housing Assistance Payments		\$2,991,060					\$2,991,060	\$2,991,060
97350 HAP Portability-In								
97400 Depreciation Expense	\$756,058				\$46,881	\$802,939	\$802,939	\$802,939

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

<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	\$ 1,840,292	\$ 1,840,292
C-941	Resident Opportunity and Supportive Services	14.870	450,000	39,525
C-2034	Section 8 Housing Choice Voucher	14.871	3,180,802	3,180,802
C-941	Capital Fund Program	14.872	3,175,601	738,855
C-941	Capital Fund Stimulus Program	14.885	<u>1,013,695</u>	<u>552,360</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 9,660,390</u>	<u>\$ 6,351,834</u>

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 ("the Authority") as of and for the year ended December 31, 2009, and have issued my report thereon dated August 11, 2010, which included a disclaimer of opinion on Management's Discussion and Analysis. 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 Housing Authority of the City of Kokomo'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 Housing Authority of the City of Kokomo's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Kokomo's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

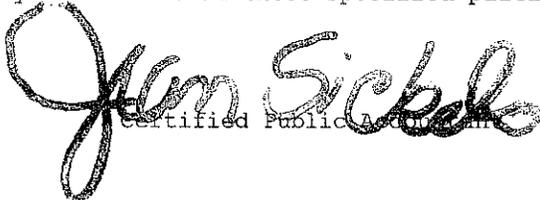
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 provision 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 11, 2010.

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 11, 2010

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 OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. 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, 2009.

Internal Control Over Compliance

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 the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Housing Authority of the City of Kokomo's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance 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.

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 11, 2010

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

DECEMBER 31, 2009

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>
14.850	Low Income Public Program
14.872	Capital Fund Program
14.885	Stimulus Capital Fund Program

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

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Fredericksburg, IN 47120

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August 11, 2010

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, 2009, 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 11, 2010 on the financial statements of the Authority.

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

1. CONDITION: BONUSES

The Authority paid bonuses.

RECOMMENDATION:

Follow the guidelines in OMB A-122.

2. CONDITION: PROCUREMENT

The Authority did not retain the excluded party documentation list printouts. Also one contract did not have Davis Bacon interviews.

RECOMMENDATION:

The Authority should retain the documentation for the procurement files for subsequent audits.

3. CONDITION: 214 IMMAGRATION STATUS FORMS

During the review of the low rent files it was noted that 7 files contained forms that were not completely filled out (boxes not checked). One file was missing the form.

RECOMMENDATION:

The Authority should ensure that all forms are properly completed.

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,

A handwritten signature in cursive script that reads "Jean Sickels". The signature is written in dark ink and is positioned above the printed name and title.

Jean Sickels
Certified Public Accountant