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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, 2011 to December 31, 2011. 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, 2011 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

HOUSING AUTHORITY OF THE CITY OF KOKOMO

AUDITED FINANCIAL STATEMENTS

Kokomo, Indiana

December 31, 2011

Jean Sickels

Certified Public Accountant

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KOKOMO
HOUSING AUTHORITY

Kokomo, Indiana
DECEMBER 31, 2011

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Jean Sickels

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the City of Kokomo ("the Authority") which comprise the statement of net assets as of December 31, 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Kokomo as of December 31, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through x be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Report on Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Certified Public Accountant

Fredericksburg, Indiana
July 31, 2012

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis
December 31, 2011

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, 2011. 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, 2011, were \$18,530,875. Total liabilities were \$588,346. Total assets exceeded liabilities by \$17,942,529 (net assets). The Housing Authority's net assets decreased by \$799,912 during the year ended December 31, 2011.

Total revenues for the year ended December 31, 2011 were \$7,140,345. Total expenditures for the year ended December 31, 2011, were \$7,940,257. Expenditures exceeded revenues by \$799,912 for the year.

During 2011, the following grants were closed: Capital Fund IN36P00750107 of \$776,987 and Capital Fund IN3600750108 of \$800,832.

As of December 31, 2011, the Authority's investment in capital assets was \$16,066,236 (net of accumulated depreciation). This investment includes land, buildings, improvements, and equipment. Capital outlays for the year were \$706,635.

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

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2011

(Continued)

Overview of the Financial Statements (continued)

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, 2011.

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, 2011. The Statement of Changes in Net Assets summarizes the revenues and sources of those revenues generated during the year ended December 31, 2011, and the expenses incurred in operating the Housing Authority for the year ended December 31, 2011.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2011

(Continued)

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, 2011

<u>ASSETS</u>	FYE Dec. 31, 2011	FYE Dec. 31, 2010	Net Change
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 1,479,243	\$ 1,571,886	\$ (92,643)
Accounts Receivable	19,527	52,235	(32,708)
Mortgages Receivable	23,550	26,975	(3,425)
Prepaid Expense	0	1,614	(1,614)
Inventory	55,092	54,947	145
Total Current Assets	<u>1,577,412</u>	<u>1,707,657</u>	<u>(130,245)</u>
Capital Assets, Net	<u>16,066,236</u>	<u>16,787,899</u>	<u>(721,663)</u>
Restricted Cash	<u>887,227</u>	<u>772,310</u>	<u>114,917</u>
Total Other Assets	<u>887,227</u>	<u>772,310</u>	<u>114,917</u>
Total Assets	<u>18,530,875</u>	<u>19,267,866</u>	<u>(736,991)</u>
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts Payable	122,638	104,024	18,614
Payable from restricted cash and cash equivalents:			
Tenant's security deposits	83,648	82,531	1,117
Deferred revenue	26,389	10,036	16,353
Total Current Liabilities	<u>232,675</u>	<u>196,591</u>	<u>36,084</u>
<u>Noncurrent Liabilities</u>			
Investments in Partnerships	<u>281,818</u>	<u>281,031</u>	<u>787</u>
Other noncurrent liabilities	<u>73,853</u>	<u>47,803</u>	<u>26,050</u>
Total Noncurrent Liabilities	<u>355,671</u>	<u>328,834</u>	<u>26,837</u>
Total Liabilities	<u>588,346</u>	<u>525,425</u>	<u>62,921</u>
<u>Net Assets</u>			
Unrestricted	1,285,320	1,426,168	(140,848)
Restricted	590,973	528,374	62,599
Investment in capital assets	<u>16,066,236</u>	<u>16,787,899</u>	<u>(721,663)</u>
Total Net Assets	<u>\$ 17,942,529</u>	<u>\$ 18,742,441</u>	<u>\$ (799,912)</u>

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2011

(Continued)

Significant Changes in the Statement of Net Assets

Cash and Cash Equivalents decreased from \$1,571,886 in FY 2010 to \$1,479,243 in FY 2011 due to Net Income of \$103,382 (not including Depreciation (noncash) Expense of \$912,785 and extraordinary (noncash) loss of \$787), deferred revenues of \$26,389 including \$16,110 of prepaid tenant rents and \$10,278 for recognized (noncash) HCV fraud recovery, less outlays for Low Rent capital assets of \$52,000.

Accounts Receivable for the Housing Authority decreased from \$52,235 in FY 2010 to \$19,527 in FY 2011. At FYE 2010 there was \$54,786 receivable from HUD for grant payments, but \$4,352 was receivable from HUD at FYE 2009. Net tenants accounts receivable increased by \$14,558 from \$23,246 in 2010 to 37,804 in 2011. The second silent mortgage allowance for doubtful accounts increased from (\$30,400) in FY 2010 to (\$26,975) in FY 2011.

The Section 32 Low Income Homeownership silent second mortgage decreased from \$26,975 in 2010 to \$23,550 in 2011 due to the cancellation of \$3,425 (one-tenth of the original mortgages).

Prepaid Expense decreased from \$1,614 in FY 2010 to \$0 in FY 2011. In 2010, the Housing Authority had prepaid \$1,614 for the following year's insurance coverage, but in 2011, no insurance expense was prepaid.

Inventory increased from \$54,947 in FY 2010 to \$55,092 in FY 2011. Inventories decreased by \$1,530, but the allowance for obsolete inventory was decreased by \$1,675 resulting in the net increase of \$145.

Restricted cash increased from \$772,310 in FY 2010 to \$887,227 in FY 2011. HCV Program HAP Equity increased by \$87,883 due to \$84,567 of HAP expense less than what was received from HUD for HAP funding, \$2,862 received in fraud recovery, and \$454 earned in interest. Cash restricted for payment of current liabilities increased by \$14,398. Family Self-Sufficiency Escrows decreased by \$8,113. The Low Income Homeownership account decreased by a net of \$22,889 from the rehabilitation and sale of one of the scattered sites and the demolition of another. The Briarwick Construction Fund spent \$3,935 of restricted cash for construction costs. Cash restricted for Tenant Security Deposits increased by \$1,117. Beginning in 2011, the Authority began to accrue wages to pay for unused sick leave. The Authority will allow employees who voluntarily resign to cash out (subject to all usual withholdings) a maximum of thirty (30) days of accrued but unused sick leave if they meet all the required conditions. This increased restricted cash by \$46,456.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2011

(Continued)

Significant Changes in the Statement of Net Assets (continued)

Accounts Payable increased from \$104,024 in FY 2010 to \$122,638 in FY 2011. Accrued utility expense decreased by \$3,226 to \$74,742, and other vendor accruals increased by \$21,840 and consists of a decrease of \$15 in payroll related accruals, a \$9 increase in IDA funds payable to eligible homeownership participants, a \$12,293 increase in current accrued compensated absences, and \$9,553 for other accounts payable.

Tenant Security Deposits increased from \$82,531 as of December 31, 2010, to \$83,648 as of December 31, 2011.

Deferred revenue, which increased from \$10,036 in FY 2010 to \$26,389 in FY 2011, consisted of an increase of \$6,537 in the amount of tenant prepaid rent in 2011. January 1st is a holiday each year, so residents who receive disability payments from the Federal government received their payments on December 31, 2010, and December 31, 2011. Many of these residents prepaid their January rent. In addition, a \$9,816 increase in income was recognized in FY 2011 due to unreported income from the HCV program.

During 2010, \$787 was recorded as a decrease in our investment in the Jefferson Crossing joint venture. Other Noncurrent Liabilities increased from \$47,803 in FY 2010 to \$73,853 in FY 2011 and included escrow accounts for those tenants who were enrolled in the five-year Family Self-Sufficiency program. Their total escrow balances decreased from \$47,803 in FY 2010 to \$39,690 in FY 2010. \$18,226 was paid to participants who completed the program during 2011. Also included was the non-current portion for the newly adopted policy of accruing compensated absences resulting in an increase of \$34,163.

Unrestricted Net Assets decreased by \$140,848 from \$1,426,168 in FY 2010 to \$1,285,320 in FY 2011 due to a loss in operating reserves of \$124,684 for 2011 in the Low Income Public Housing program, a decrease of \$554 in Business Activities, and a reduction of \$15,610 in the Section 8 Voucher program.

Restricted Net Assets increased by \$62,599 from \$528,374 in FY 2010 to \$590,973 in FY 2011. The scattered site sales account, which was established in 2006 for the net proceeds of scattered site sales from the LIPH Homeownership Program, decreased by \$21,349; and the Housing Choice Voucher HAP Equity increased by \$87,883 more HAP funding received than HAP payments made. The Briarwick Construction Fund spent \$3,935 of restricted cash for construction costs.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2011

(Continued)

Significant Changes in the Statement of Net Assets (continued)

<u>Changes in Net Assets</u>			
	<u>FYE</u>	<u>FYE</u>	
<u>OPERATING REVENUES</u>	Dec. 31, 2011	Dec. 31, 2010	Net Change
Rental income	\$ 821,028	\$ 776,900	\$ 44,128
Other income	49,606	37,710	11,896
TOTAL OPERATING REVENUE	<u>870,634</u>	<u>814,610</u>	<u>56,024</u>
<u>OPERATING EXPENSES</u>			
Administrative	1,291,760	1,283,544	8,216
Tenant services	245,636	235,715	9,921
Utilities	690,541	672,674	17,867
Ordinary maintenance & operation	1,440,290	1,139,849	300,441
Protective services	40,503	50,321	(9,818)
Casualty loss - not capitalized	5,615	6,268	(653)
General expense	239,938	196,389	43,549
Housing assistance payments	3,072,402	3,038,626	33,776
Depreciation expense	912,785	851,327	61,458
TOTAL OPERATING EXPENSES	<u>7,939,470</u>	<u>7,474,713</u>	<u>464,757</u>
OPERATING INCOME (LOSS)	<u>(7,068,836)</u>	<u>(6,660,103)</u>	<u>(408,733)</u>
<u>NONOPERATING REVENUES</u>			
Federal grants	6,079,816	6,210,090	(130,274)
Gain or loss on capital assets	41,567	36,951	4,616
Extraordinary items, gain/loss	(787)	(800)	13
Interest income	2,159	5,077	(2,918)
TOTAL NONOPERATING REVENUE	<u>6,122,755</u>	<u>6,251,318</u>	<u>(128,563)</u>
CAPITAL CONTRIBUTIONS	<u>146,169</u>	<u>560,916</u>	<u>(414,747)</u>
CHANGE IN NET ASSETS	<u>(799,912)</u>	<u>152,131</u>	<u>(952,043)</u>
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>18,742,441</u>	<u>18,590,310</u>	<u>152,131</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 17,942,529</u>	<u>\$ 18,742,441</u>	<u>\$ (799,912)</u>

Rental income increased by \$44,128 from \$776,900 in FY 2010 to \$821,028 in FY 2011.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2011

(Continued)

Significant Changes in the Statement of Net Assets (continued)

Other income increased by \$11,896 from \$37,710 in FY 2010 to \$49,606 in FY 2011. Fraud recovery from unreported income in the HCV program increased by \$5,378. In the Low Rent Program non-dwelling rental increased by \$1,175, laundry income by \$1,530 and insurance dividends and miscellaneous income by \$3,583.

Administrative salaries and benefits increased by \$49,418 or 5% due to increased salary and benefit costs resulting from annual raises. Legal expense decreased by \$15,373, office expenses decreased by \$8,216, and other administrative expenses decreased by 17,613 for a net increase of \$8,216.

Tenant services increased by \$9,921. Salary and benefit costs increased by \$35,782 due to annual raises, a part-time Homework Club teacher position was added, and another Homework Club teacher was changed from a contract worker to a full-time employee. Resident Services decreased by \$25,861 due to the transfer from a contract worker to an employee of the full-time Homework Club teacher.

Utilities expense increased by \$17,867. Water and sewage increased by \$1,418, electricity by \$13,609, and gas by \$2,840.

Maintenance salaries and benefits increased by \$75,862 or 5% due to increased salary and benefit costs resulting from annual raises.

Maintenance material costs increased by \$66,638. Maintenance contract costs increased by \$157,941 due to higher costs for trash removal, extermination, glass and screen repairs, equipment and systems upkeep, computer monitoring/maintenance, vehicle repairs and contract costs expended from the Capital Funds.

Protective Services contract costs decreased by \$9,818 in FY 2011 due to \$10,000 for additional police protection in 2011 which was not billed or paid from the Capital Fund until 2012.

In 2010, one unit was damaged by fire for a cost of \$32,466, one unit needed restored because of residual meth for a cost of \$3,441, and one scattered site had water damage for a cost of \$3,275. One of the KHA vehicles was damaged by a resident at a cost of \$857, which the resident reimbursed in full. \$32,914 was received from insurance resulting in the \$6,628 loss. In 2011, several small incidents which did not exceed our deductible resulted in \$6,684 in expense. Also a unit was damaged by fire toward the end of the year resulting in \$1,962 of expenses, but the remainder of the costs and insurance reimbursement will occur in 2012. Also one of the KHA vans was totaled, and \$3,031 for reimbursement was received for a net loss of \$5,615.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2011

(Continued)

Significant Changes in the Statement of Net Assets (continued)

General expenses increased during FY 2011 by \$43,549 from an increase of \$9,612 in insurance costs, an increase of \$3,379 in payment in lieu of taxes (PILOT), a decrease of \$15,263 in tenant rent bad debt, and a decrease of \$635 in miscellaneous general expense. Beginning in 2011, the Authority began to accrue wages to pay for unused sick leave. This increased general expenses by \$46,456.

The average Housing Assistance Payment remained nearly static from \$419.18 in FY 2010 to \$419.08 in FY 2011, but leasing increased by 80 unit months resulting in an increase in Housing Assistance Payments of \$33,776.

Depreciation expense increased by \$61,458 from the addition to capital assets of \$654,635 for assets from closed grants and \$52,000 from purchases.

The decrease in Federal grants of \$130,274 is a net result attributed to several programs. Low Rent subsidy decreased by \$119,906 mostly due to a decreased funding level. HUD decreased the funding level from 103% for 2010 to 100% for 2011. The Capital Fund grants received \$58,300 in increased funding, the ROSS Service Coordinator Grant received \$965 less funding, and the Capital Fund Recovery Grant received \$77,010 funding in 2010 when it was closed for a net grant funding decrease of \$19,675. The Section 8 Voucher subsidy increased by \$9,307.

The gain on capital assets in both years was a result of the sale of one scattered site through the Section 32 Homeownership Program. The sales produced a gain of \$36,951 in FY 2009 and \$41,567 in FY 2011.

The extraordinary items loss increased by \$13. 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 2010, the decrease in equity was \$800, and during 2011, the decrease in equity was only \$787.

During FY 2011, interest rates on funds remained low during the year as they did in FY 2010. The Low Rent Public Housing program earned \$2,063 less interest, the Section 8 Voucher program \$239 less, and Business Activities - Construction Fund \$7 less. In addition, there was a \$1,157 reduction in market value on the FHLMC bonds held by the Section 8 Voucher program in FY 2011 and a \$548 reduction in FY 2010, an increased reduction of \$609 resulting in the \$2,918 decrease from FY 2010 to FY 2011.

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 2011, the Authority spent \$30,422 less than during 2010 on the projects that were undertaken

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2011

(Continued)

Significant Changes in the Statement of Net Assets (continued)

funded by the usual Capital Grant funding, and the Capital Fund Recovery Grant expended \$384,325 during FY 2010 when it was closed resulting in the \$414,747 decrease.

Financial Position and Results of Operations

The Housing Authority's net assets decreased in 2011 from \$18,742,441 in 2010 to \$17,942,529 by \$799,912. The decrease in net assets is due to the fact that expenses exceeded revenues for the year. The total operating expenses increased by \$464,757, and the operating revenue increased by \$56,024, but the non-operating income decreased by \$128,563 and the capital contributions decreased by \$414,747.

Overall there was a decrease in total Federal Grants in 2011 in the amount of \$545,021 due to a 100% (\$461,335) decrease in funding for the Capital Fund Recovery Grant which was funding only during FY 2009 and FY 2010, a 4% (\$27,878) increase from the Capital Fund Grants, a 0.3% (\$9,307) increase in funding for the Section 8 Voucher Program, a 6% (\$119,906) decrease for the Low Income Public Housing Program, and a 2% (965) decrease from the ROSS Service Coordinator grant.

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, 2011:

Land	\$ 1,131,351
Buildings	27,531,346
Furniture and equipment	1,753,025
Construction in Progress	<u>203,479</u>
Sub-total	30,619,201
Less: Accumulated Depreciation	<u>(14,552,965)</u>
Capital Assets, net	<u>\$ 16,066,236</u>
Capital Assets at December 31, 2010	\$ 16,787,899
2011 Depreciation	(912,785)
Low Rent Capital Outlays	52,000
Capital Fund Additions	654,635
Decrease in Construction in Progress	(504,549)
Disposals, net of accumulated depreciation	<u>(10,964)</u>
Capital Assets at December 31, 2011	<u>\$ 16,066,236</u>

Debt

The Housing Authority has no long-term notes or mortgages; however, there is a balance of \$73,853 in noncurrent liabilities which consists of \$39,690 of residents' Family Self-Sufficiency escrow deposits and

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2011

(Continued)

Debt (continued)

\$34,163 of accrued compensated absences. There are also current accounts payables of \$232,675 consisting of vendor accounts payable of \$122,638 all of which are due and payable within the year, \$83,648 in tenants' security deposits, and \$26,389 of deferred revenues.

Subsequent Events

The Authority adopted an operating budget for FYE December 31, 2012. This budget reflects total operating revenues of \$7,096,351 and total operating expenses of \$7,258,586. KHA based the budget on the Low Rent program being funded at a 95% level. The 2011 funding level was 100%. For the first nine months of 2012, HUD has funded the Low Rent Subsidy at 95% of eligible funding. If this level continues for all of 2012, the Low Rent Program will receive the amount that was budgeted.

HUD has awarded KHA \$2,572,667 in HAP funding for January through October of 2012, and \$225,412 in administrative fees for January through September of 2012. Administrative fees are paid solely on the basis of the 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. KHA received a Family Self-Sufficiency (FSS) grant for a part-time FSS Coordinator in the amount of \$20,828. The resident participation has increased, and KHA applied for a full-time position for 2013. That grant award has not been announced as of this report. In addition, KHA was awarded 25 VASH (Veterans Affairs Supportive Housing) vouchers beginning in April, 2012, with additional HAP funding of \$58,853. Using the HAP funding awarded through October, 2012, the VASH HAP funding, the administrative fees received through September 2012, and the FSS grant, if the funding level remains the same, the Housing Choice Voucher program may receive \$59,560 more than budgeted mostly due to the unbudgeted VASH funding.

During 2012, the Chief Executive Officer retired and the Deputy Director resigned. Ms. Debra Cook was hired as the new Chief Executive Officer, and Mr. Jeff Kearnes was hired as the new Deputy Director.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Authority's Chief Executive Officer 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, 2011

ASSETS

Current Assets

Cash	\$ 1,429,727
Accounts receivable, net	19,527
Investments	49,516
Prepaid expenses	0
Inventory, net	55,092
Total Current Assets	1,553,862

Noncurrent Assets

Restricted assets

Restricted cash and investments	887,227
Notes and Mortgages receivable	23,550

Capital assets

Land and other nondepreciable assets	1,334,830
Depreciable capital assets, net	14,731,406
Total Capital Assets	16,066,236

Total Noncurrent Assets 16,977,013

TOTAL ASSETS 18,530,875

LIABILITIES

Current liabilities

Accounts payable	206,286
Deferred revenue	26,389
Total current liabilities	232,675

Noncurrent liabilities

Investments in joint ventures	281,818
Compensated absences	34,163
Escrow deposits, restricted	39,690
Total Noncurrent liabilities	355,671

TOTAL LIABILITIES 588,346

NET ASSETS

Unrestricted	1,285,320
Restricted	590,973
Investment in capital assets	16,066,236

TOTAL NET ASSETS \$ 17,942,529

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, 2011

OPERATING REVENUES

Total rental income	\$ 821,028
Other income	49,606
	<hr/>
TOTAL OPERATING REVENUE	870,634

OPERATING EXPENSES

Administrative	1,291,760
Tenant services	245,636
Utilities	690,541
Ordinary maintenance and operation	1,445,905
Protective services	40,503
General expense	239,938
Housing assistance payments	3,072,402
Depreciation expense	912,785
	<hr/>
TOTAL OPERATING EXPENSES	7,939,470

OPERATING INCOME (LOSS) (7,068,836)

NONOPERATING REVENUES

Federal operating grants	6,079,816
Gain on sale of capital assets	41,567
Loss on investments in partnerships	(787)
Interest income	2,159
	<hr/>
TOTAL NONOPERATING REVENUES	6,122,755

INCOME (LOSS) BEFORE OTHER REVENUES (946,081)

CAPITAL CONTRIBUTIONS 146,169

INCREASE (DECREASE) IN NET ASSETS (799,912)

NET ASSETS, BEGINNING OF YEAR 18,742,441

NET ASSETS, END OF YEAR \$ 17,942,529

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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from residents and other deposits	\$ 873,514
Other receipts (payments)	49,606
Payments to suppliers	(2,015,022)
Payments to/for employees	(1,892,011)
Payments to landlords	(3,072,402)

Net Cash Flows Provided (Used) by Operating Activities	<u>(6,056,315)</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	<u>6,079,816</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>6,079,816</u>

~~CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES~~

Federal capital grants received	146,169
Gain on sale of capital assets	41,566
Purchase of capital assets	<u>(191,121)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(3,386)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	26,619
Interest income	<u>2,159</u>
Net Cash Flows Provided by Investing Activities	<u>28,778</u>

Net change in cash 48,893

Cash - Beginning of year	<u>2,268,061</u>
Cash - End of year	\$ <u><u>2,316,954</u></u>

Reconciliation of Cash:

Unrestricted	\$ 1,429,727
Restricted	<u>887,227</u>
Total Cash and Cash Equivalents	\$ <u><u>2,316,954</u></u>

Continued

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ (7,068,836)
Adjustments to reconcile net operating income to net cash Provided by operating activities:	
Depreciation	912,785
(Increase) Decrease in:	
Accounts receivable	36,133
Inventory and prepaid expenses	1,469
Increase (Decrease) in:	
Accounts payable	19,731
Accrued liabilities	26,050
Deferred revenue	16,353
<hr/>	
Net Cash Flows Provided (Used) by Operating Activities	\$ <u>(6,056,315)</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, 2011

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 Low Income Public Housing program (Contract No. C-941) and a Section 8 Housing Choice Voucher 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, 2011, the Housing Authority had 1,224 units in management and was administering other programs as listed below:

Management

Low-Income Public Housing	550
Section 8 Housing Choice Vouchers	<u>674</u>
TOTAL ALL MANAGEMENT PROGRAMS	<u>1,224</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

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, 2011
(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 \$264,587 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, 2011
(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, 2011
(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 and required deductibles 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, 2011
(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 ten years at time of purchase. At December 31, 2011, 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 ten 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 (including bonds) were \$2,366,470 at December 31, 2011. Bank balances before reconciling items were \$2,443,233 (including bonds), 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, 2011, consist of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash/Checking accounts	\$ 1,797,097	\$ 1,874,060
Money Market/Savings	494,290	494,090
Total cash and deposits	<u>\$ 2,291,387</u>	<u>\$ 2,368,150</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(Continued)

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

Investments at December 31, 2011, 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>\$ 75,083</u>	US Govt Guaranteed	01/26/2012	No
Total cash, deposits and investments				<u>\$2,366,470</u>

NOTE 3 - Accounts Receivable (Current and Non-Current):

Accounts receivables at December 31, 2011 consist of the following:

HUD	\$ 4,352
Interest Receivable	686
Miscellaneous Receivable	235
Current Portion of Mortgage Receivable	3,425
Tenant Receivables	
Net of Allowance for Doubtful Accounts of \$35,824	<u>10,829</u>
Total	<u>\$ 19,527</u>

NOTE 4 - Prepaid Expenses:

There were no prepaid expenses as of December 31, 2011.

NOTE 5 - Inventory:

Inventory at December 31, 2011 consists of the following:

Inventory, net of allowance of \$6,220	<u>\$ 55,092</u>
--	------------------

NOTE 6 - Capital Assets:

A summary in changes in capital assets is as follows:

	<u>Beginning Balance</u> <u>12/31/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u> <u>12/31/11</u>
Capital assets, not being depreciated:				
Land	\$ 1,139,579	\$ 0	\$ (8,228)	\$ 1,131,351
Construction in Progress	<u>708,028</u>	<u>150,087</u>	<u>(654,636)</u>	<u>203,479</u>
Total Capital Assets, not being depreciated	<u>1,847,607</u>	<u>150,087</u>	<u>(662,864)</u>	<u>1,334,830</u>
Capital Assets, being depreciated:				
Buildings and Improvements	27,083,818	484,025	(36,497)	27,531,346

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(Continued)

NOTE 6 - Capital Assets: (continued)

Furniture, equipment & Machinery	<u>1,637,882</u>	<u>222,610</u>	<u>(107,467)</u>	<u>1,753,025</u>
Total Capital Assets, being depreciated	<u>28,721,700</u>	<u>706,635</u>	<u>(143,964)</u>	<u>29,284,371</u>
Less Accumulated Depreciation for:				
Buildings	(12,749,306)	(791,105)	33,760	(13,506,651)
Furniture, equipment & Machinery	<u>(1,032,101)</u>	<u>(121,680)</u>	<u>107,467</u>	<u>(1,046,314)</u>
Total Depreciation	<u>(13,781,407)</u>	<u>(912,785)</u>	<u>141,227</u>	<u>(14,552,965)</u>
Total Capital Assets, being depreciated, net	<u>14,940,293</u>	<u>(206,150)</u>	<u>(2,737)</u>	<u>14,731,406</u>
Capital Assets, Net	<u>\$16,787,900</u>	<u>\$ (56,063)</u>	<u>\$ (665,601)</u>	<u>\$16,066,236</u>

Depreciation expense for the year was: \$912,785

The following is a schedule of significant capital construction projects of the Authority with remaining commitment amounts as of December 31, 2011:

2009 CFP	TT & CCT4	Soft Starts in Elevators	\$ 3,900
2010 CFP	CCT	Install Tub/Shower (6-F)	1,836
2010 CFP	CCT	Install Remote Thermostat on Heat Pump	990
2010 CFP	CCT	Stain/Varnish/Install 4 Wooden Doors	<u>1,881</u>
		Total Open Contracts	<u>\$ 8,607</u>

NOTE 7 - Investments in Joint Ventures:

Investments at December 31, 2011 consist of the following:

Tax Credit Partnership - Jefferson Crossing Housing Development Corporation	<u>\$ (281,818)</u>
--	---------------------

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 \$(281,818). The partnership is accounted for on the equity basis of accounting. The decrease in equity for this fiscal year is \$787.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(Continued)

NOTE 8 - Accounts Payable:

Accounts payable at December 31, 2011 consist of the following:

Vendors' Accounts Payable	\$ 108,266
Tenant Security Deposits	83,648
Other Liabilities	2,079
Accrued Wages/Payroll Taxes Payable	<u>12,293</u>
Total	<u>\$ 206,286</u>

NOTE 9 - Deferred Revenue:

Deferred Revenue at December 31, 2011, consists of the following:

Tenant prepaid rents	\$ 16,111
HCV Fraud Recovery	<u>10,278</u>
Total	<u>\$ 26,389</u>

NOTE 10 - Other Noncurrent Liabilities:

Beginning in 2011, the Authority began to accrue wages to pay for unused sick leave. The Authority will allow employees who voluntarily resign to cash out (subject to all usual withholdings) a maximum of thirty (30) days of accrued but unused sick leave if they meet all the required conditions.

Other noncurrent liabilities at December 31, 2011 consist of the following:

	<u>12/31/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/11</u>
Family Self-Sufficiency				
Escrow Deposits	\$ 47,804	\$ 20,457	\$ 28,571	\$ 39,690
Accrued Compensated Wages	<u>0</u>	<u>34,163</u>	<u>0</u>	<u>34,163</u>
Total	<u>\$ 47,804</u>	<u>\$ 54,620</u>	<u>\$ 28,571</u>	<u>\$ 73,853</u>

NOTE 11 - Restricted Net Assets:

The restricted net assets are as follows:

Business Activities - Construction Fund	\$ 143,280
Low Rent - Scattered Sites Rehab Fund	183,106
Section 8 HCV Housing Assistance Payment (HAP) Equity	<u>264,587</u>
Total	<u>\$ 590,973</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	\$ 1,935,368
ROSS	54,649
Housing Choice Vouchers	3,494,499
Capital Fund Grants	<u>595,300</u>
Total	<u>\$ 6,079,816</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(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, 2011, were \$146,169.

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, 2011, 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, 2011. 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, 2011. 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, 2011, the Authority had not yet spent a total of \$1,242,169 available from the Capital Fund 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, 2011, the Authority's required and actual contributions were \$123,233.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(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, 2011.

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 87% 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, 2011

	C-941	Annual Co C-2034E
	Low Income Public Housing	Section 8 Housing Choice Voucher Program
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 641,592	\$ 0
Accounts receivable, net	4,918	10,022
Investments	0	49,516
Interprogram	0	0
Prepaid expenses	0	0
Inventory, net	0	0
Total Current Assets	646,510	59,538
<u>Noncurrent Assets</u>		
Restricted assets		
Restricted Cash and Investments	400,665	308,637
Notes and Mortgages receivable	23,550	0
Capital assets		
Land and other nondepreciable assets	1,170,393	0
Depreciable capital assets, net	14,207,677	0
Total Capital Assets	15,378,070	0
Total Noncurrent Assets	15,802,285	308,637
TOTAL ASSETS	16,448,795	368,175
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	186,123	4,067
Interprogram	0	0
Deferred revenue	16,111	10,278
Total current liabilities	202,234	14,345
<u>Noncurrent liabilities</u>		
Investments in joint ventures	0	0
Compensated absences	9,438	6,176
Escrow deposits	5,887	33,803
Total Noncurrent liabilities	15,325	39,979
TOTAL LIABILITIES	217,559	54,324
<u>NET ASSETS</u>		
Unrestricted	670,060	49,264
Restricted	183,106	264,587
Investment in capital assets	15,378,070	0
TOTAL NET ASSETS	\$ 16,231,236	\$ 313,851

Contributions Contracts

C-941	C-941	C-941				
Resident Opportunity & Supportive Services	Central Office Cost Center	Capital Fund Program	Business Activities	Interfund Elimination	Total	
\$ 0	\$ 681,765	\$ 0	\$ 106,370	\$ 0	\$ 1,429,727	
4,352	235	0	0	0	19,527	
0	0	0	0	0	49,516	
0	4,352	0	0	(4,352)	0	
0	0	0	0	0	0	
0	55,092	0	0	0	55,092	
<u>4,352</u>	<u>741,444</u>	<u>0</u>	<u>106,370</u>	<u>(4,352)</u>	<u>1,558,214</u>	
0	34,645	0	143,280	0	887,227	
0	0	0	0	0	23,550	
0	123,445	0	40,992	0	1,334,830	
0	523,729	0	0	0	14,731,406	
0	647,174	0	40,992	0	16,066,236	
0	681,819	0	184,272	0	16,953,463	
<u>4,352</u>	<u>1,423,263</u>	<u>0</u>	<u>290,642</u>	<u>(4,352)</u>	<u>18,530,875</u>	
0	16,096	0	0	0	206,286	
4,352	0	0	0	(4,352)	0	
0	0	0	0	0	26,389	
<u>4,352</u>	<u>16,096</u>	<u>0</u>	<u>0</u>	<u>(4,352)</u>	<u>232,675</u>	
0	0	0	281,818	0	281,818	
0	18,549	0	0	0	34,163	
0	0	0	0	0	39,690	
0	18,549	0	281,818	0	355,671	
<u>4,352</u>	<u>34,645</u>	<u>0</u>	<u>281,818</u>	<u>(4,352)</u>	<u>588,346</u>	
0	741,444	0	(175,448)	0	1,285,320	
0	0	0	143,280	0	590,973	
0	647,174	0	40,992	0	16,066,236	
<u>\$ 0</u>	<u>\$ 1,388,618</u>	<u>\$ 0</u>	<u>\$ 8,824</u>	<u>\$ 0</u>	<u>\$ 17,942,529</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, 2011

	C-941	Annual Co C-2034E
		Section 8 Housing Choice Voucher Program
	Low Income Public Housing	
<u>OPERATING REVENUES</u>		
Rental income	\$ 821,028	\$ 0
Other income	18,398	52,760
TOTAL OPERATING REVENUE	839,426	52,760
<u>OPERATING EXPENSES</u>		
Administrative	1,087,348	319,241
Tenant services	172,187	21,969
Utilities	669,685	13,955
Ordinary maintenance and operation	1,360,717	29,980
Protective services	38,192	482
General expense	172,095	17,468
Housing assistance payments	0	3,072,402
Depreciation expense	858,588	0
TOTAL OPERATING EXPENSES	4,358,812	3,475,497
 OPERATING INCOME (LOSS)	 (3,519,386)	 (3,422,737)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Federal operating grants	1,935,368	3,494,499
Gain on sale of capital assets	41,567	0
Loss on investments in partnerships	0	0
Interest income	1,125	511
TOTAL NONOPERATING REVENUES (EXPENSES)	1,978,060	3,495,010
 INCOME (LOSS) BEFORE OTHER REVENUES	 (1,541,326)	 72,273
 CAPITAL CONTRIBUTIONS	 0	 0
 INCREASE (DECREASE) IN NET ASSETS	 (1,541,326)	 72,273
 NET ASSETS - BEGINNING OF YEAR, as originally stated	 17,031,093	 241,578
Equity transfers	741,469	0
 NET ASSETS - BEGINNING OF YEAR, as restated	 17,772,562	 241,578
 NET ASSETS, END OF YEAR	 \$ 16,231,236	 \$ 313,851

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	\$ 821,028	
0	653,893	0	0	(675,445)	49,606	
0	653,893	0	0	(675,445)	870,634	
3,169	557,417	0	30	(675,445)	1,291,760	
51,480	0	0	0	0	245,636	
0	6,901	0	0	0	690,541	
0	55,208	0	0	0	1,445,905	
0	1,829	0	0	0	40,503	
0	50,375	0	0	0	239,938	
0	0	0	0	0	3,072,402	
0	54,197	0	0	0	912,785	
54,649	725,927	0	30	(675,445)	7,939,470	
(54,649)	(72,034)	0	(30)	0	(7,068,836)	
54,649	0	595,300	0	0	6,079,816	
0	0	0	0	0	41,567	
0	0	0	(787)	0	(787)	
0	277	0	246	0	2,159	
54,649	277	595,300	(541)	0	6,122,755	
0	(71,757)	595,300	(571)	0	(946,081)	
0	0	146,169	0	0	146,169	
0	(71,757)	741,469	(571)	0	(799,912)	
0	1,460,375	0	9,395	0	18,742,441	
0	0	(741,469)	0	0	0	
0	1,460,375	(741,469)	9,395	0	18,742,441	
\$ 0	\$ 1,388,618	\$ 0	\$ 8,824	\$ 0	\$ 17,942,529	

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED
DECEMBER 31, 2011

Annual Contributions Contract C-941

	<u>501-07</u>	<u>501-08</u>
1. The Capital Fund Grant Costs are as follows:		
Funds Approved	\$ 776,987	\$ 800,832
Funds Expended	<u>776,987</u>	<u>800,832</u>
Excess / (Deficiency) of Funds Approved	\$ <u>0</u>	\$ <u>0</u>
Funds Advanced	\$ 776,987	\$ 800,832
Funds Expended	<u>776,987</u>	<u>800,832</u>
Excess / (Deficiency) of Funds Advanced	\$ <u>0</u>	\$ <u>0</u>

2. Costs additions totaling \$ 24,030 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, 2011 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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14,671 Housing Choice Vouchers	1 Business Activities	14,870 Resident Opportunity and Supportive Services	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$841,562		\$106,370		\$681,785	\$1,429,727		\$1,429,727
112 Cash - Restricted - Modernization and Development			\$143,280			\$143,280		\$143,280
113 Cash - Other Restricted	\$200,511	\$279,004			\$30,842	\$510,357		\$510,357
114 Cash - Tenant Security Deposits	\$83,648					\$83,648		\$83,648
115 Cash - Restricted for Payment of Current Liabilities	\$118,508	\$4,087			\$3,803	\$124,378		\$124,378
100 Total Cash	\$1,042,257	\$283,071	\$249,650	\$0	\$716,410	\$2,261,388	\$0	\$2,261,388
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects				\$4,352	\$0	\$4,352		\$4,352
124 Accounts Receivable - Other Government								
125 Accounts Receivable - Miscellaneous					\$235	\$235		\$235
126 Accounts Receivable - Tenants	\$37,317	\$9,335				\$46,653		\$46,653
126.1 Allowance for Doubtful Accounts - Tenants	-\$8,249	\$0				-\$8,249		-\$8,249
126.2 Allowance for Doubtful Accounts - Other	-\$28,975			\$0	\$0	-\$28,975		-\$28,975
127 Notes, Loans, & Mortgages Receivable - Current	\$3,425					\$3,425		\$3,425
128 Fraud Recovery								
128.1 Allowance for Doubtful Accounts - Fraud								
128 Accrued Interest Receivable		\$888				\$888		\$888
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,918	\$10,022	\$0	\$4,352	\$235	\$19,527	\$0	\$19,527
131 Investments - Unrestricted		\$49,518				\$49,518		\$49,518
132 Investments - Restricted		\$25,588				\$25,588		\$25,588
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets								
143 Inventories					\$81,312	\$81,312		\$81,312
143.1 Allowance for Obsolete Inventories					-\$8,220	-\$8,220		-\$8,220
144 Inter Program Due From					\$4,352	\$4,352	-\$4,352	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$1,047,175	\$388,175	\$249,650	\$4,352	\$778,089	\$2,445,441	-\$4,352	\$2,441,089
181 Land	\$1,007,908				\$128,445	\$1,131,351		\$1,131,351
182 Buildings	\$28,613,466				\$917,850	\$27,531,348		\$27,531,348
183 Furniture, Equipment & Machinery - Dwellings	\$808,874					\$808,874		\$808,874
184 Furniture, Equipment & Machinery - Administration	\$587,529	\$5,159			\$353,683	\$946,351		\$946,351
185 Leasehold Improvements								
186 Accumulated Depreciation	-\$13,800,022	-\$5,159			-\$747,784	-\$14,552,965		-\$14,552,965
187 Construction in Progress	\$182,487		\$40,892			\$203,479		\$203,479
188 Infrastructure								
180 Total Capital Assets, Net of Accumulated Depreciation	\$15,378,070	\$0	\$40,892	\$0	\$847,174	\$18,089,788	\$0	\$18,089,788
171 Notes, Loans and Mortgages Receivable - Non-Current	\$23,550					\$23,550		\$23,550
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due								
173 Grants Receivable - Non-Current								
174 Other Assets								
178 Investments in Joint Ventures								
180 Total Non-Current Assets	\$15,401,820	\$0	\$40,892	\$0	\$847,174	\$18,089,788	\$0	\$18,089,788
190 Total Assets	\$18,448,795	\$388,175	\$290,542	\$4,352	\$1,423,263	\$18,535,227	-\$4,352	\$18,530,875
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$87,811	\$4,087			\$3,803	\$95,481		\$95,481
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable								
322 Accrued Compensated Absences - Current Portion					\$12,293	\$12,293		\$12,293
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects	\$2,079					\$2,079		\$2,079
333 Accounts Payable - Other Government	\$12,785					\$12,785		\$12,785
341 Tenant Security Deposits	\$83,648					\$83,648		\$83,648
342 Deferred Revenues	\$18,111	\$10,278				\$28,389		\$28,389
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds								
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities								
348 Accrued Liabilities - Other								
347 Inter Program - Due To				\$4,352		\$4,352	-\$4,352	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$202,234	\$14,345	\$0	\$4,352	\$18,088	\$237,027	-\$4,352	\$232,675

351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue								
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other	\$5,887	\$33,803				\$38,890		\$38,890
354 Accrued Compensated Absences - Non Current	\$6,438	\$8,178			\$18,548	\$34,183		\$34,183
355 Loan Liability - Non Current			\$281,818			\$281,818		\$281,818
358 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities								
350 Total Non-Current Liabilities	\$15,325	\$38,979	\$281,818	\$0	\$18,548	\$355,071	\$0	\$355,671
300 Total Liabilities	\$217,559	\$54,324	\$281,818	\$4,352	\$34,845	\$582,088	-\$4,352	\$588,348
508.1 Invested in Capital Assets, Net of Related Debt	\$15,378,070		\$40,882		\$847,174	\$18,068,238		\$18,088,238
509.2 Fund Balance Reserved								
511.2 Unreserved, Designated Fund Balance								
511.1 Restricted Net Assets	\$183,108	\$284,587	\$143,280			\$580,973		\$580,973
512.1 Unrestricted Net Assets	\$670,080	\$49,284	-\$175,448	\$0	\$741,444	\$1,285,320		\$1,285,320
512.2 Unreserved, Undesignated Fund Balance								
513 Total Equity/Net Assets	\$18,231,238	\$313,851	\$8,824	\$0	\$1,388,018	\$17,842,529	\$0	\$17,842,529
600 Total Liabilities and Equity/Net Assets	\$18,448,765	\$388,175	\$290,842	\$4,352	\$1,423,283	\$18,535,227	-\$4,352	\$18,530,875

Kokomo Housing Authority (IN007)
KOKOMO, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.870 Resident Opportunity and Supportive Services	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$783,877					\$783,877		\$783,877
70400 Tenant Revenue - Other	\$57,151					\$57,151		\$57,151
70500 Total Tenant Revenue	\$821,028	\$0	\$0	\$0	\$0	\$821,028	\$0	\$821,028
70800 HUD PHA Operating Grants	\$2,530,865	\$3,494,409		\$54,649		\$6,079,816		\$6,079,816
70810 Capital Grants	\$148,189					\$148,189		\$148,189
70710 Management Fee					\$458,959	\$458,959	-\$458,959	\$0
70720 Asset Management Fee					\$88,080	\$88,080	-\$88,080	\$0
70730 Book Keeping Fee					\$103,620	\$103,620	-\$103,620	\$0
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue					\$628,639	\$628,639	-\$628,639	\$0
70800 Other Government Grants								
71100 Investment Income - Unrestricted	\$769	\$404	\$248		\$277	\$1,718		\$1,718
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery		\$5,724				\$5,724		\$5,724
71500 Other Revenue	\$18,368	\$47,039			\$25,254	\$90,668	-\$48,805	\$43,862
71600 Gain or Loss on Sale of Capital Assets	\$41,587					\$41,587		\$41,587
72000 Investment Income - Restricted	\$336	\$107				\$443		\$443
70000 Total Revenue	\$3,558,955	\$3,647,770	\$248	\$54,649	\$654,170	\$7,815,760	-\$875,445	\$7,140,345
91100 Administrative Salaries	\$302,349	\$167,940			\$400,080	\$880,369		\$880,369
91200 Auditing Fees	\$8,078	\$2,669				\$8,777		\$8,777
91300 Management Fee	\$438,959	\$20,000				\$458,959	-\$458,959	\$0
91310 Book-keeping Fee	\$48,853	\$54,867				\$103,820	-\$103,820	\$0
91400 Advertising and Marketing								
91500 Employee Benefit Contributions - Administrative	\$117,852	\$50,074			\$114,752	\$282,678		\$282,678
91600 Office Expenses	\$82,853	\$18,234			\$28,182	\$126,059	-\$48,800	\$78,253
91700 Legal Expense	\$2,484	\$1,200			\$3,128	\$8,812		\$8,812
91800 Travel	\$14	\$10		\$3,189		\$3,183		\$3,183
91810 Allocated Overhead								
91900 Other	\$22,238	\$18,117	\$30		\$13,295	\$51,878		\$51,878
91000 Total Operating - Administrative	\$1,021,288	\$319,241	\$30	\$3,189	\$557,417	\$1,901,145	-\$808,385	\$1,291,760
92000 Asset Management Fee	\$88,080					\$88,080	-\$88,080	\$0
92100 Tenant Services - Salaries	\$110,808	\$18,538		\$33,947		\$183,391		\$183,391
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services	\$48,702	\$3,431		\$17,287		\$89,420		\$89,420
92400 Tenant Services - Other	\$12,579			\$248		\$12,825		\$12,825
92500 Total Tenant Services	\$172,187	\$21,969	\$0	\$51,480	\$0	\$245,836	\$0	\$245,836
93100 Water	\$114,488	\$444			\$828	\$115,768		\$115,768
93200 Electricity	\$254,700	\$9,918			\$2,859	\$267,277		\$267,277
93300 Gas	\$129,513	\$3,417			\$2,114	\$135,044		\$135,044
93400 Fuel								
93500 Labor								
93600 Sewer	\$170,978	\$178			\$1,302	\$172,454		\$172,454
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense								
93000 Total Utilities	\$669,685	\$13,955	\$0	\$0	\$8,901	\$690,541	\$0	\$690,541
94100 Ordinary Maintenance and Operations - Labor	\$425,253	\$604			\$3,789	\$429,528		\$429,528
94200 Ordinary Maintenance and Operations - Materials and Other	\$248,435	\$4,219			\$14,318	\$264,970		\$264,970
94300 Ordinary Maintenance and Operations Contracts	\$535,579	\$25,218			\$32,310	\$593,107		\$593,107
94500 Employee Benefit Contributions - Ordinary Maintenance	\$147,835	\$39			\$4,813	\$152,687		\$152,687
94000 Total Maintenance	\$1,356,102	\$29,980	\$0	\$0	\$55,208	\$1,440,290	\$0	\$1,440,290
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs	\$38,182	\$482			\$1,829	\$40,503		\$40,503
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$38,182	\$482	\$0	\$0	\$1,829	\$40,503	\$0	\$40,503
98110 Property Insurance	\$80,987	\$3,058			\$1,713	\$85,758		\$85,758
98120 Liability Insurance	\$22,588	\$3,433			\$3,274	\$29,295		\$29,295
98130 Workmen's Compensation	\$13,793	\$3,595			\$8,705	\$26,093		\$26,093
98140 All Other Insurance	\$7,814	\$1,113			\$5,330	\$14,257		\$14,257
98100 Total Insurance Premiums	\$125,182	\$11,197	\$0	\$0	\$19,022	\$155,401	\$0	\$155,401

06200 Other General Expenses	\$0,680	\$95			\$511	\$7,488		\$7,488
06210 Compensated Absences	\$6,438	\$6,176			\$30,842	\$48,456		\$48,456
06300 Payments in Lieu of Taxes	\$12,785					\$12,785		\$12,785
06400 Bad debt - Tenant Rents	\$17,810					\$17,810		\$17,810
06500 Bad debt - Mortgages								
06800 Bad debt - Other								
06800 Severance Expense								
06900 Total Other General Expenses	\$48,913	\$6,271	\$0	\$0	\$31,353	\$84,537	\$0	\$84,537
06710 Interest of Mortgage (or Bonds) Payable								
06720 Interest on Notes Payable (Short and Long Term)								
06730 Amortization of Bond Issue Costs								
06700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
06900 Total Operating Expenses	\$3,494,609	\$403,065	\$30	\$54,649	\$871,730	\$4,024,113	-\$875,445	\$3,048,668
07000 Excess of Operating Revenue over Operating Expenses	\$84,348	\$3,144,875	\$218	\$0	-\$17,500	\$3,191,677	\$0	\$3,191,677
07100 Extraordinary Maintenance								
07200 Casually Losses - Non-capitalized	\$5,615					\$5,615		\$5,615
07300 Housing Assistance Payments		\$3,072,402				\$3,072,402		\$3,072,402
07350 HAP Portability-In								
07400 Depreciation Expense	\$858,588				\$54,197	\$912,785		\$912,785
07500 Fraud Losses								
07600 Capital Outlays - Governmental Funds								
07700 Debt Principal Payment - Governmental Funds								
07800 Dwelling Units Rent Expense								
80000 Total Expenses	\$4,358,812	\$3,475,497	\$30	\$54,649	\$725,027	\$8,814,915	-\$875,445	\$7,939,470
10010 Operating Transfer In	\$204,193					\$204,193		\$204,193
10020 Operating Transfer Out	-\$204,193					-\$204,193		-\$204,193
10030 Operating Transfers from/to Primary Government								
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss			-\$787			-\$787		-\$787
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In								
10094 Transfers between Project and Program - Out								
10100 Total Other financing Sources (Uses)	\$0	\$0	-\$787	\$0	\$0	-\$787	\$0	-\$787
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$799,857	\$72,273	-\$571	\$0	-\$71,757	-\$799,012	\$0	-\$799,012
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$17,031,083	\$241,578	\$9,385	\$0	\$1,480,375	\$18,742,441		\$18,742,441
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0					\$0		\$0
11050 Changes in Compensated Absence Balance								
11060 Changes in Contingent Liability Balance								
11070 Changes in Unrecognized Pension Transition Liability								
11080 Changes in Special Term/Severance Benefits Liability								
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity		\$49,284				\$49,284		\$49,284
11180 Housing Assistance Payments Equity		\$284,587				\$284,587		\$284,587
11190 Unit Months Available	8608	8083				14694		14694
11210 Number of Unit Months Leased	6487	7330				13817		13817
11270 Excess Cash	\$385,805					\$385,805		\$385,805
11610 Land Purchases	\$0				\$0	\$0		\$0
11620 Building Purchases	\$73,472				\$0	\$73,472		\$73,472
11830 Furniture & Equipment - Dwelling Purchases	\$88,080				\$0	\$88,080		\$88,080
11840 Furniture & Equipment - Administrative Purchases	\$39,002				\$19,725	\$58,727		\$58,727
11850 Leasehold Improvements Purchases	\$0				\$0	\$0		\$0
11890 Infrastructure Purchases	\$0				\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0	\$0		\$0
13601 Replacement Housing Factor Funds	\$0				\$0	\$0		\$0

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

<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	\$ 1,935,368	\$ 1,935,368
C-941	Resident Opportunity and Supportive Services	14.870	200,300	54,649
C-2034	Section 8 Housing Choice Voucher	14.871	3,494,499	3,494,499
C-941	Capital Fund Program	14.872	<u>3,164,499</u>	<u>741,469</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 8,794,666</u>	<u>\$ 6,225,985</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, 2011, and have issued my report thereon dated July 31, 2012, 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.

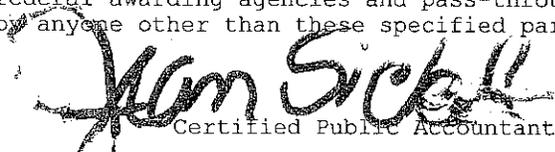
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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*.

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
July 31, 2012

Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

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, 2011. 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, 2011.

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
July 31, 2012

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

DECEMBER 31, 2011

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 Rent Public Housing

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.