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May 19, 2016

Board of Commissioners
Housing Authority of the City of Kokomo
PO Box 1207
Kokomo, IN 46903-1207

We have reviewed the audit report prepared by Goldie Roberts, CPA, for the period January 1, 2013 to December 31, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Kokomo, as of December 31, 2013 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

HOUSING AUTHORITY OF THE CITY OF KOKOMO

AUDITED FINANCIAL STATEMENTS

Kokomo, Indiana

December 31, 2013

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120
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KOKOMO
HOUSING AUTHORITY

Kokomo, Indiana
DECEMBER 31, 2013

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Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

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

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 Position as of December 31, 2013, and the related Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the year then ended, and the related Notes to the Financial Statements, which collectively comprise the Housing Authority of the City of Kokomo's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 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.

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, Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States Local Governments and Non-Profit Organizations*, 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.

In regard to, the Financial Data Schedule, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents, 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. Such 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 10, 2014 on my consideration of the Housing Authority of the City of Kokomo's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Kokomo's internal control over financial reporting and compliance.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
September 10, 2014

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis
December 31, 2013

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, 2013. 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, 2013, were \$18,209,073. Total liabilities were \$3,062,949. Total assets exceeded liabilities by \$15,146,124 (net position). The Housing Authority's net position decreased by \$2,470,027 during the year ended December 31, 2013.

Total revenues for the year ended December 31, 2013 were \$6,370,827. Total expenditures for the year ended December 31, 2013, were \$8,840,854. Expenditures exceeded revenues by \$2,470,027 for the year.

During 2013, the following grants were closed: Capital Fund IN36P00750110 of \$791,404, ROSS Service Coordinator Grant of \$200,300, and the Summer Leadership Academy Grant of \$1,135.

As of December 31, 2013, the Authority's net investment in capital assets was \$16,142,451 (net of accumulated depreciation). This investment includes land, buildings, improvements, and equipment. Capital outlays for the year were \$1,627,034, \$1,592,034 of which were purchases from the Energy Performance Contract program.

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, 2013

(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 Position 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 Revenues, Expenses and Changes in Fund Net Position. This statement measures the success of the Housing Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The 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, 2013.

Financial Analysis

The Housing Authority's financial statements are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position, and the Statement of Cash Flows. The Statement of Net Position provides a summary of the Housing Authority's assets and liabilities as of the close of business on December 31, 2013. The Statement of Revenues, Expenses and Changes in Fund Net Position summarizes the revenues and sources of those revenues generated during the year ended December 31, 2013, and the expenses incurred in operating the Housing Authority for the year ended December 31, 2013. The Statement of Cash Flows details the inflows and outflows of cash for the year ended December 31, 2013.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2013

(Continued)

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

Statement of Net Position
December 31, 2013

<u>ASSETS</u>	FYE Dec. 31, 2013	FYE Dec. 31, 2012	Net Change
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 1,260,090	\$ 1,487,796	\$ (227,706)
Accounts Receivable	21,170	41,967	(20,797)
Mortgages Receivable	16,700	20,125	(3,425)
Prepaid Expense	0	153	(153)
Inventory	46,409	56,810	(10,401)
Total Current Assets	<u>1,344,369</u>	<u>1,606,851</u>	<u>(262,482)</u>
Capital Assets, Net	<u>16,142,451</u>	<u>15,364,197</u>	<u>778,254</u>
Restricted Cash	<u>722,253</u>	<u>945,818</u>	<u>(223,565)</u>
Total Other Assets	<u>722,253</u>	<u>945,818</u>	<u>(223,565)</u>
Total Assets	<u>\$ 18,209,073</u>	<u>\$ 17,916,866</u>	<u>\$ 292,207</u>
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts Payable	\$ 105,116	\$ 122,048	\$ (16,932)
Payable from restricted cash and cash equivalents:			
Tenant's security deposits	77,810	81,869	(4,059)
Unearned revenue	11,627	11,851	(224)
Total Current Liabilities	<u>194,553</u>	<u>215,768</u>	<u>(21,215)</u>
<u>Noncurrent Liabilities</u>			
Long-Term Debt	<u>2,766,036</u>	<u>0</u>	<u>2,766,036</u>
Other noncurrent liabilities	<u>102,360</u>	<u>84,947</u>	<u>17,413</u>
Total Noncurrent Liabilities	<u>2,868,396</u>	<u>84,947</u>	<u>2,783,449</u>
Total Liabilities	<u>\$ 3,062,949</u>	<u>\$ 300,715</u>	<u>\$ 2,762,234</u>
<u>Net Position</u>			
Unrestricted	\$ 142,976	\$ 1,606,853	\$ (1,463,877)
Restricted	452,731	645,101	(192,370)
Net investment in capital assets	<u>14,550,417</u>	<u>15,364,197</u>	<u>(813,780)</u>
Total Net Position	<u>\$ 15,146,124</u>	<u>\$ 17,616,151</u>	<u>\$ (2,470,027)</u>

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2013

(Continued)

Significant Changes in the Statement of Net Position

Cash and Cash Equivalents decreased by \$227,706 from \$1,487,796 in FY 2012 to \$1,260,090 in FY 2013 due to Net Loss of \$1,408,029 (not including Depreciation (noncash) Expense of \$1,061,998, unearned revenues of \$11,627 consisting of prepaid tenant rents, less outlays for Low Rent capital assets of \$35,000 and Energy Performance capital assets of \$1,592,034.

Accounts Receivable for the Housing Authority decreased from \$41,967 in FY 2012 to \$21,170 in FY 2013. At FYE 2012 there was \$36,898 receivable from HUD for grant payments, but \$0 was receivable from HUD at FYE 2013. Net tenants accounts receivable decreased by \$3,992 from \$28,471 in 2012 to 24,479 in 2013. The second silent mortgage allowance for doubtful accounts increased from (\$23,550) in FY 2012 to (\$20,125) in FY 2013. Accrued interest receivable decreased from \$148 in FYE 2012 to \$9 in FYE 2013. At FYE 2012, \$0 was receivable from insurance proceeds, but \$16,807 was receivable at FYE 2103.

The Section 32 Low Income Homeownership silent second mortgage decreased from \$20,125 in 2012 to \$16,700 in 2013 due to the cancellation of \$3,425 (one-tenth of the original mortgages).

Prepaid Expense decreased from \$153 in FY 2012 to \$0 in FY 2013. In 2013, no expenses were prepaid, but in 2012 the Housing Authority had prepaid \$153 for the following year's postage.

Inventory decreased from \$56,810 in FY 2012 to \$46,409 in FY 2013. Inventories decreased by \$10,010, but the allowance for obsolete inventory was increased by \$391 resulting in the net decrease of \$10,401.

Restricted cash decreased from \$945,818 in FY 2012 to \$722,253 in FY 2013. HCV Program HAP Equity decreased by \$150,999 due to \$167,545 of HAP expense more than what was received from HUD for HAP funding, \$16,589 received in fraud recovery, \$426 due to HUD for interest earned in 2012, and \$383 earned in interest. Cash restricted for payment of current liabilities decreased by \$53,195. Cash restricted for Family Self-Sufficiency Escrows increased by \$20,660. The Low Income Homeownership account decreased by \$20,614 from the rehabilitation of several scattered sites. The Briarwick Construction Fund spent \$25,086 of restricted cash for construction costs. Cash restricted for Tenant Security Deposits decreased by \$4,059. Cash restricted for accrued wages payable decreased by \$3,314. Cash restricted for the Energy Performance Contract increased by \$6,516.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2013

(Continued)

Significant Changes in the Statement of Net Position (continued)

Accounts Payable decreased from \$122,048 in FY 2012 to \$105,116 in FY 2013. Accrued utility expense decreased by \$21,786 to \$57,657, and other vendor accruals increased by \$4,854 and consists of a decrease of \$33,822 in payroll related accruals, a \$2,413 increase in IDA funds payable to eligible homeownership participants, an increase of \$37,387 in loan principal and interest, and a decrease of \$1,124 for other accounts payable.

Tenant Security Deposits decreased from \$81,869 as of December 31, 2012, to \$77,810 as of December 31, 2013.

Unearned revenue, which decreased from \$11,851 in FY 2012 to \$11,627 in FY 2013, consisted of a decrease of \$224 in the amount of tenant prepaid rent in 2013. January 1st is a holiday each year, so residents who receive disability payments from the Federal government received their payments on December 31, 2012, and December 31, 2013. Many of these residents prepaid their January rent.

During 2013, \$2,766,036 was borrowed as part of a 20 year loan to pay for energy conservation measures under a HUD-approved Energy Performance Contract that was entered into in 2013. Other Noncurrent Liabilities increased from \$84,947 in FY 2012 to \$102,360 in FY 2013 and included escrow accounts for those tenants who were enrolled in the five-year Family Self-Sufficiency program. Their total escrow balances increased from \$56,865 in FY 2012 to \$77,532 in FY 2013. \$24,278 was paid to participants who completed the program during 2013. The non-current portion of accrued wages decreased by \$3,254.

Unrestricted Net Position decreased by \$1,463,594 from \$1,606,853 in FY 2012 to \$143,259 in FY 2013 due to a loss in operating reserves of \$1,474,499 for 2013 in the Low Income Public Housing program, a reduction of \$219 in Business Activities, and an increase of \$11,124 in the Section 8 Voucher program.

Restricted Net Position decreased by \$192,370 from \$645,101 in FY 2012 to \$452,731 in FY 2013. The assets from the scattered site sales program, which was established in 2006 for the net proceeds of scattered site sales from the LIPH Homeownership Program, decreased by \$16,285; and the Housing Choice Voucher HAP Equity decreased by \$150,999 mostly due to less HAP funding received than HAP payments made. The Briarwick Construction Fund spent \$25,086 of restricted cash for construction costs.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2013

(Continued)

Significant Changes in the Statement of Net Position (continued)

<u>Changes in Net Position</u>			
	FYE	FYE	Net Change
	Dec. 31, 2013	Dec. 31, 2012	
<u>OPERATING REVENUES</u>			
Rental income	\$ 876,302	\$ 859,351	\$ 16,951
Other income	95,722	70,634	25,088
TOTAL OPERATING REVENUE	972,024	929,985	42,039
<u>OPERATING EXPENSES</u>			
Administrative	1,235,103	1,315,172	(80,069)
Tenant services	211,377	236,208	(24,831)
Utilities	702,595	706,117	(3,522)
Ordinary maintenance & operation	2,467,565	1,363,581	1,103,984
Protective services	44,423	63,000	(18,577)
Casualty loss - not capitalized	3,607	11,281	(7,674)
General expense	205,054	199,559	5,495
Housing assistance payments	2,875,507	2,960,132	(84,625)
Depreciation expense	1,061,998	975,127	86,871
TOTAL OPERATING EXPENSES	8,807,229	7,830,177	977,052
OPERATING INCOME (LOSS)	(7,835,205)	(6,900,192)	(935,013)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Federal grants	5,205,244	6,025,108	(819,864)
Gain or loss on capital assets	(8,227)	(1,961)	(6,266)
Extraordinary items, gain/loss	0	281,818	(281,818)
Interest expense	(33,625)	0	(33,625)
Interest income	1,920	2,315	(395)
TOTAL NONOPERATING REVENUE	5,165,312	6,307,280	(1,141,968)
CAPITAL CONTRIBUTIONS	199,866	266,534	(66,668)
CHANGE IN NET POSITION	(2,470,027)	(326,378)	(2,143,649)
TOTAL NET POSITION - BEGINNING OF YEAR	17,616,151	17,942,529	(326,378)
TOTAL NET POSITION - END OF YEAR	\$ 15,146,124	\$ 17,616,151	\$ (2,470,027)

Rental income increased by \$16,951 from \$859,351 in FY 2012 to \$876,302 in FY 2013.

Other income increased by \$25,088 from \$70,634 in FY 2012 to \$95,722 in FY 2013. Fraud recovery from unreported income in the HCV program increased by \$15,602. In the Low Rent Program laundry income, insurance dividends and miscellaneous income increased by \$13,890. In the Section 8 Program, \$4,404 was recovered in 2012 from FSS Escrow forfeitures, but none in 2013.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis
December 31, 2013
(Continued)

Significant Changes in the Statement of Net Position (continued)

Administrative salaries and benefits decreased by \$85,240 or 7% due to eliminating some positions, employees on sick leave, and some positions open for a period of time. Staff training expenses decreased by \$7,933. Legal expense decreased by \$999, office expenses increased by \$2,863, unemployment benefit costs decreased by \$2,002, and other administrative expenses increased by \$13,242 for a net decrease of \$80,069.

Tenant services decreased by \$24,831. Salary and benefit costs decreased by \$16,355. The position of Low Rent Homeownership Coordinator was eliminated after January because the Resident Opportunities and Self-Sufficiency (ROSS) Grant ended and we did not get picked in the lottery for a grant renewal. Other tenant services decreased by \$8,476.

Utility expenses decreased by \$3,522. Water and sewage decreased by \$24,931, electricity increased by \$4,082, and gas increased by \$17,327.

Maintenance salaries and benefits increased by \$7,476 or 2% due to budgeted positions Not being filled the entire year during 2012 but were during 2013.

Maintenance material costs decreased by \$29,643. Maintenance contract costs increased by a net of \$1,126,151. There were \$1,166,867 in costs due to maintenance work done for the Energy Performance Contract during 2013 where none was done in 2012. Other maintenance contracts, such as equipment and auto repairs, extermination, mowing and snow removal, and trash removal decreased by \$40,716.

Protective Services contract costs decreased by \$18,577 in FY 2013 due to \$10,000 for additional police protection in 2011 which was not billed or paid from the Capital Fund until 2012 resulting in \$50,000 being paid in 2012 and only \$30,000 was billed and paid in 2013.

Casualty losses decreased by \$7,674. In 2012, the remaining expenses from the fire that occurred in 2011 were \$21,680 and insurance reimbursement was \$25,662. Another fire occurred in 2012 resulting in \$1,951 in expenses. A power outage occurred at an elderly and disabled development resulting in expenses of \$2,075. Mold remediation was required in one unit with the expenses of \$6,630. A vehicle was damaged with \$1,000 in expenses and \$500 in insurance reimbursement. In addition, small incidents that did not exceed our deductibles resulted in \$4,107 in expense for a net 2012 loss of \$11,281. Toward the end of 2013; a tornado did extensive damage to several of our properties. AS of December 31, 2013, \$16,806 had been expended toward repairs and that much reimbursed by insurance. Also in 2013, a fire occurred resulting in \$1,304 in expenses, and small incidents that did not exceed our deductibles resulted in \$2,303 in expense for a net 2013 loss of \$3,607.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2013

(Continued)

Significant Changes in the Statement of Net Position (continued)

General expenses increased during FY 2013 by \$5,495 from an increase of \$1,551 in insurance costs, an increase of \$1,482 in payment in lieu of taxes (PILOT), an increase of \$8,768 in tenant rent bad debt, a decrease in compensated absences of \$6,120, and a decrease of \$186 in miscellaneous general expense.

Even though leasing increased by 189 unit months, the average Housing Assistance Payment decreased from \$408.72 in FY 2012 to \$387.01 in FY 2013, resulting in a decrease in Housing Assistance Payments of \$84,625.

Depreciation expense increased by \$86,871 from the addition to capital assets of \$266,433 for assets from closed grants, \$35,000 from Low Income Public Housing purchases, and \$1,592,034 in purchases due to the Energy Performance Contract.

The decrease in Federal grants of \$819,864 is a net result attributed to several programs. Low Rent's subsidy decreased by \$288,942 due to HUD decreasing the funding level from 95% for 2012 to 81.86% for 2013. The Capital Fund grants received \$106,805 in decreased funding, and the ROSS Service Coordinator Grant received \$59,643 less funding for a total grant funding decrease of \$166,448. The Section 8 Voucher subsidy decreased by \$364,474. The Housing Assistance Payment (HAP) subsidy is based on prior periods' payments made. The Administrative Fee Subsidy is based on prior periods' units leased and was reduced from receiving 79.74% of eligibility in 2012 to 75% in 2013.

The loss of \$1,961 in 2012 resulted from the disposal of capital assets which were not fully depreciated. The loss in 2013 resulted from the sale of land through the LIPH homeownership program.

The extraordinary items gain decreased by \$281,818. The Housing Authority held 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 2012, Jefferson Crossing joint venture property was sold and the partnership dissolved. The General Partners contributed enough to cover any deficit balances; therefore, the increase in extraordinary items for this fiscal year is \$281,818 bringing the Housing Authority Partnership interest to \$0 and resulting in no activity for 2013.

During FY 2013 interest rates on funds remained low during the year as they did in FY 2012. The Low Rent Public Housing program earned \$17 less interest, the Section 8 Voucher program \$244 less, the Scattered Sites Homeownership program earned \$123 less, and the Business Activities \$11 less for a total of a \$395 decrease.

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 2013, the Authority spent \$66,668 less than during 2012 on the projects that were undertaken.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2013

(Continued)

Financial Position and Results of Operations

The Housing Authority's net assets decreased in 2013 from \$17,616,151 in 2012 to \$15,146,124 by \$2,470,027. The decrease in net assets is due to the fact that expenses exceeded revenues for the year. The total operating expenses increased by \$977,052, the operating revenue increased by \$42,039, the non-operating income decreased by \$1,141,968 and the capital contributions decreased by \$66,668.

Overall there was an \$819,864 decrease in total Federal Grants in 2013 a 19% (\$106,805) decrease from the Capital Fund Grants, an 11% (\$364,474) decrease in funding for the Section 8 Voucher Program, a 15% (\$288,942) decrease for the Low Income Public Housing Program, and a 95% (59,643) decrease from the ROSS Service Coordinator grant which expired in January 2013.

Capital Assets

Capital Assets are the largest asset reflected on the Authority's statement of net position. The following is a summary of capital assets owned by the Authority at December 31, 2013:

Land	\$ 1,123,126
Buildings	29,112,001
Furniture and equipment	2,055,790
Construction in Progress	261,000
Sub-total	32,551,917
Less: Accumulated Depreciation	(16,409,466)
Capital Assets, net	<u>\$ 16,142,451</u>
Capital Assets at December 31, 2012	\$ 15,364,197
2013 Depreciation	(1,061,998)
Low Rent Capital Outlays	35,000
Capital Fund Additions	266,433
Energy Performance Contract Additions	1,592,034
Decrease in Construction in Progress	(44,989)
Disposals, net of accumulated depreciation	(8,226)
Capital Assets at December 31, 2013	<u>\$ 16,142,451</u>

Debt

During 2013, the Authority entered into an Energy Performance Contract (EPC) with Johnson Controls, Inc. to install energy conservation measures. The Authority entered into one year construction loan during 2013 which will convert to a twenty year \$3,370,392 loan agreement at a 4.55% interest rate with First Farmers Bank & Trust to fund the measures with payments to begin in 2015. HUD has agreed to fund the loan payments by freezing the utility subsidy at pre-EPC rates. The amounts under Loan Payable below, totaling \$2,766,036, are the amounts paid to Johnson Controls, Inc. by 12/31/2013. Interest payable as of FYE 2013 is \$33,625 and listed in Note 6 in the Notes to the Financial Statements.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2013

(Continued)

Debt (continued)

Also during 2013, Superior Street Housing Development Corporation entered into a contract with Monroe Construction to develop a three-bedroom four unit townhouse and entered into a one year construction loan which will convert to a thirty year \$400,000 loan agreement at a 4.75% interest rate with Community First Bank to fund the development. The loan payments will be funded by rents received from the units. Interest payments are made monthly, and on December 31, 2013, no loan liability existed.

Other noncurrent liabilities consist of \$77,532 of residents' Family Self-Sufficiency escrow deposits and \$24,828 of accrued compensated absences. There are also current accounts payables of \$194,553 consisting of vendor accounts payable of \$105,116 all of which are due and payable within the year, \$77,810 in tenants' security deposits, and \$11,627 of unearned revenues.

Subsequent Events

The Authority adopted an operating budget for FYE December 31, 2014, reflecting total operating revenues of \$6,670,865 and total operating expenses of \$7,042,915. KHA based the budget on the Low Rent program being funded at a 90% level. The 2013 funding level was 81.86%. For the first nine months of 2014, HUD has funded the Low Rent Subsidy at 88.45% of eligible funding. If this level continues for all of 2014, the Low Rent Program could receive \$33,669 less than what was budgeted.

HUD has awarded KHA \$2,992,564 in HAP funding for 2014 which could be adjusted monthly based on HAP payments during the year, and \$217,564 in administrative fees for January through September of 2014. 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 \$20,478. The resident participation has increased, and KHA has applied for a full-time position for 2015. Using the HAP funding awarded through December, 2014, the administrative fees received through September 2014, and the FSS grant, if the funding level remains the same, the Housing Choice Voucher program may receive \$119,817 more than budgeted.

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 POSITION
DECEMBER 31, 2013

ASSETS

Current Assets

Cash	\$ 1,260,090
Accounts receivable, net	37,870
Inventory, net	46,409
Total Current Assets	1,344,369

Noncurrent Assets

Restricted assets	
Restricted cash and investments	722,253
Capital assets	
Land and other nondepreciable assets	1,384,125
Depreciable capital assets, net	14,758,326
Total Capital Assets	16,142,451
Total Noncurrent Assets	16,864,704

TOTAL ASSETS	18,209,073
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LIABILITIES

Current liabilities

Accounts payable	182,926
Unearned revenue	11,627
Total current liabilities	194,553

Noncurrent liabilities

Other noncurrent liabilities	102,360
Long term debt	2,766,036
Total Noncurrent liabilities	2,868,396

TOTAL LIABILITIES	3,062,949
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NET POSITION

Unrestricted	142,976
Restricted	452,731
Net investment in capital assets	14,550,417

TOTAL NET POSITION	\$ 15,146,124
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

OPERATING REVENUES

Total rental income	\$ 876,302
Other income	95,722

TOTAL OPERATING REVENUE	972,024
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OPERATING EXPENSES

Administrative	1,235,103
Tenant services	211,377
Utilities	702,595
Ordinary maintenance and operation	2,471,172
Protective services	44,423
General expense	205,054
Housing assistance payments	2,875,507
Depreciation expense	1,061,998

TOTAL OPERATING EXPENSES	8,807,229
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OPERATING INCOME (LOSS)	(7,835,205)
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NONOPERATING REVENUES (EXPENSES)

Federal operating grants	5,205,244
Gain on sale of capital assets	(8,227)
Interest expense	(33,625)
Interest income	1,920

TOTAL NONOPERATING REVENUES	5,165,312
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INCOME (LOSS) BEFORE OTHER REVENUES	(2,669,893)
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CAPITAL CONTRIBUTIONS	199,866
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INCREASE (DECREASE) IN NET POSITION	(2,470,027)
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NET POSITION, BEGINNING OF YEAR	17,616,151
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NET POSITION, END OF YEAR	\$ 15,146,124
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from residents and other deposits	\$ 900,300
Other receipts (payments)	95,722
Payments to suppliers	(2,929,341)
Payments to/for employees	(1,933,407)
Payments to landlords	<u>(2,875,507)</u>
 Net Cash Flows Provided (Used) by Operating Activities	 <u>(6,742,233)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	<u>5,205,244</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	 <u>5,205,244</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Federal capital grants received	199,866
Principal borrowed on notes	2,766,036
Interest expense	(33,625)
Gain on sale of capital assets	(8,228)
Purchase of capital assets	<u>(1,840,251)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	 <u>1,083,798</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	0
Interest income	<u>1,920</u>
Net Cash Flows Provided by Investing Activities	 <u>1,920</u>

Net change in cash (451,271)

Cash - Beginning of year	<u>2,433,614</u>
Cash - End of year	<u>\$ 1,982,343</u>

Reconciliation of Cash:

Unrestricted	\$ 1,260,090
Restricted	<u>722,253</u>
Total Cash and Cash Equivalents	<u>\$ 1,982,343</u>

Continued

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ (7,835,205)
Adjustments to reconcile net operating income to net cash Provided by operating activities:	
Depreciation	1,061,998
(Increase) Decrease in:	
Accounts receivable	56,613
Inventory and prepaid expenses	10,554
Increase (Decrease) in:	
Accounts payable	(20,991)
Accrued liabilities	17,413
Unearned revenue	<u>(32,615)</u>
 Net Cash Flows Provided (Used) by Operating Activities	 \$ <u><u>(6,742,233)</u></u>

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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.

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 and the Superior Street Housing Development Corporation are reported as if it were part of the primary government because their 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, Superior Street Housing Development Corporation's, and Khatco, Inc.'s financial information have been blended with the Kokomo Housing Authority.

At December 31, 2013, the Housing Authority had 1,240 units in management and was administering other programs as listed below:

Management

Low-Income Public Housing	551
Section 8 Housing Choice Vouchers	<u>689</u>
TOTAL ALL MANAGEMENT PROGRAMS	<u>1,240</u>

Other Programs

Capital Fund Program
Resident Opportunity and Supportive Services
Business Activities:

Jefferson Crossing Housing Development Corp.
Superior Street 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, 2013
(Continued)

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

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in net position. Under the Accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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 net position categories:

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Authority owes \$1,592,034 for capital assets purchased through its Energy Performance Program.

Restricted: Net position 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.

Unrestricted: Net position that are not subject to externally imposed stipulations. Unrestricted net position 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.

Use of Enterprise Accounting - The Authority presents its financial statements using enterprise accounting, as allowed by governments. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting, expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2013
(Continued)

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

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 capital fund budgets are adopted on a "project length" basis.

Budget compared to actual presentation has been omitted because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board and approved by HUD. This budget does not represent an appropriated budget that has been signed into law or a non-appropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board and HUD; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - For financial statement purposes, cash and cash equivalents are considered to be cash in banks and highly liquid investment with original maturities of three months or less. HUD restricts the Authority's direct investments, investments through mutual funds and the underlying collateral of demand deposits to direct obligations, guaranteed obligations or obligations of the agencies of the United States of America.

For financial statement purposes, investments are stated at fair market value, and consist of certificates of deposit with original maturities greater than three months.

Tenant Receivables - Receivables for rentals and tenant charges are reported at net of an allowance for doubtful accounts. The Housing Authority Board takes action as necessary (at least annually) to write off specific uncollectible accounts receivable balances.

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.

Inventories - Inventories (consisting of materials and supplies) are valued at cost, which approximated market value, 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 reported amounts of assets and liabilities and disclosure

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2013
(Continued)

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

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 - Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs. It is the policy of the Authority to capitalize assets costing \$500 or more. Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

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

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. 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.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2013
(Continued)

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

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

Leasing Activities (as Lessor) - The Authority is the Lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause. Revenues associated with these leases are recorded in the financial statements and schedules as "Rental Income". Rental Income per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions, such as local job availability, which impact personal income.

NOTE 2 - Deposits, Cash and Cash Equivalents:

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, 2013, 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.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2013
(Continued)

NOTE 2 - Deposits, Cash and Cash Equivalents: (Continued)

The carrying amounts of the Authority's cash deposits were \$1,982,343 at December 31, 2013. Bank balances before reconciling items were \$2,119,214, the total amount of which are either covered by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third party agents or by a collateralization agreement. Restricted cash includes tenant security deposits.

Cash and Deposits at December 31, 2013, consist of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash/Checking accounts	\$ 1,380,879	\$ 1,538,320
Money Market/Savings/CDs	601,464	580,894
Total cash and deposits	<u>\$ 1,982,343</u>	<u>\$ 2,119,214</u>

NOTE 3 - Accounts Receivable:

Accounts receivables at December 31, 2013 consist of the following:

Interest Receivable	\$ 9
Mortgages Receivable	
Net of Allowance of \$20,125	8,759
HCV Fraud Recovery Receivable	
Net of Allowance for Doubtful Accounts of \$38,121	0
Tenant Receivables	
Net of Allowance for Doubtful Accounts of \$13,616	12,295
Insurance Proceeds Receivable	16,807
Total	<u>\$ 37,870</u>

NOTE 4 - Inventory:

Inventory at December 31, 2013 consists of the following:

Inventory, net of allowance of \$6,908	<u>\$ 46,409</u>
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HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

(Continued)

NOTE 5 - Capital Assets:

A summary in changes in capital assets is as follows:

	<u>Beginning Balance 12/31/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 12/31/13</u>
Capital assets, not being depreciated:				
Land	\$ 1,131,352	\$ 0	\$ (8,226)	\$ 1,123,126
Construction in Progress	<u>305,989</u>	<u>221,444</u>	<u>(266,433)</u>	<u>261,000</u>
Total Capital Assets, not being depreciated	<u>1,437,341</u>	<u>221,444</u>	<u>(274,659)</u>	<u>1,384,126</u>
Capital Assets, being depreciated:				
Buildings and Improvements	27,608,213	1,546,707	(42,919)	29,112,001
Furniture, equipment & Machinery	<u>1,803,883</u>	<u>346,760</u>	<u>(94,853)</u>	<u>2,055,790</u>
Total Capital Assets, being depreciated	<u>29,412,096</u>	<u>1,893,467</u>	<u>(137,772)</u>	<u>31,167,791</u>
Less Accumulated Depreciation for:				
Buildings	(14,325,362)	(888,263)	42,919	(15,170,706)
Furniture, equipment & Machinery	<u>(1,159,878)</u>	<u>(173,735)</u>	<u>94,853</u>	<u>(1,238,760)</u>
Total Depreciation	<u>(15,485,240)</u>	<u>(1,061,998)</u>	<u>137,772</u>	<u>(16,409,466)</u>
Total Capital Assets, being depreciated, net	<u>13,926,856</u>	<u>831,469</u>	<u>0</u>	<u>14,758,325</u>
Capital Assets, Net	<u>\$15,364,197</u>	<u>\$ 1,052,913</u>	<u>\$ (274,659)</u>	<u>\$16,142,451</u>

Depreciation expense for the year was: \$ 1,061,998

The following is a schedule of significant capital construction projects of the Authority with remaining commitment amounts as of December 31, 2013

2012 CFP	CCT	Install 10 Water Source Heat Pumps	\$ 8,600
2012 CFP	CCT	Replace Hot Water Heater	834
2012 CFP	1613 Tam-o-shanter	Replace Furnace	<u>2,170</u>
Total Open Contracts			<u>\$ 11,604</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2013
(Continued)

NOTE 6 - Accounts Payable:

Accounts payable at December 31, 2013 consist of the following:

Loan Liability	\$ 3,762
Vendors' Accounts Payable	66,067
Tenant Security Deposits	77,810
Interest Payable	33,625
Accounts Payable - HUD	709
Accrued Wages/Payroll Taxes Payable	<u>953</u>
 Total	 <u>\$ 182,926</u>

NOTE 7 - Unearned Revenue:

Unearned Revenue at December 31, 2013 consists of the following:

Tenant prepaid rents	<u>\$ 11,627</u>
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NOTE 8 - Noncurrent Liabilities:

During 2013, the Authority entered into an Energy Performance Contract (EPC) with Johnson Controls, Inc. to install energy conservation measures. The Authority entered into one year construction loan during 2013 which will convert to a twenty year \$3,370,392 loan agreement at a 4.55% interest rate with First Farmers Bank & Trust to fund the measures with payments to begin in 2015. HUD has agreed to fund the loan payments by freezing the utility subsidy at pre-EPC rates. The amounts under Loan Payable below, totaling \$2,766,036, are the amounts paid to Johnson Controls, Inc. by 12/31/2013. Interest payable as of FYE 2013 is \$33,625 and listed in Note 6.

Also during 2013, Superior Street Housing Development Corporation entered into a contract with Monroe Construction to develop a three-bedroom four unit townhouse and entered into a one year construction loan which will convert to a thirty year \$400,000 loan agreement at a 4.75% interest rate with Community First Bank to fund the development. The loan payments will be funded by rents received from the units. Interest payments are made monthly, and on December 31, 2013, no loan liability existed.

Beginning in 2012, 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, 2013, consist of the following:

	<u>12/31/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/13</u>
Family Self-Sufficiency				
Escrow Deposits	\$ 56,865	\$ 44,945	\$ 24,278	\$ 77,532
Loan Payable-Capital	0	1,592,034	0	1,592,034
Loan Payable-Operating	0	1,174,002	0	1,174,002
Accrued Compensated Wages	<u>28,082</u>	<u>766</u>	<u>4,020</u>	<u>24,828</u>
	<u>\$ 84,947</u>	<u>\$2,811,747</u>	<u>\$ 28,298</u>	<u>\$2,868,396</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2013
(Continued)

NOTE 9 - Federal Operating Grants:

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

Low Rent Public Housing	\$ 1,730,787
Housing Choice Vouchers	2,988,380
Capital Fund Grants	<u>486,077</u>
Total	<u>\$ 5,205,244</u>

NOTE 10 - Capital Contributions:

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended December 31, 2013, were \$199,866.

Capital Fund	\$ 196,414
ROSS	<u>3,452</u>
Total	<u>\$ 199,866</u>

NOTE 11 - 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, 2013, 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, 2013.

There were certain major construction projects in progress at December 31, 2013. 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, 2013, the Authority had not yet spent a total of \$977,650 available from the Capital Fund Program grants.

Note 12 - 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

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2013
(Continued)

Note 12 - Defined Contribution Plan: (continued)

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, 2013, the Authority's required and actual contributions were \$119,661.

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, 2013.

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 13 - 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 14 - Economic Dependency:

The Authority receives approximately 84% 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 PROGRAM NET POSITION
DECEMBER 31, 2013

	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	\$ 394,688	\$ 47,857
Accounts receivable, net	24,194	9
Inventory, net	0	0
Total Current Assets	418,882	47,866
<u>Noncurrent Assets</u>		
Restricted assets		
Restricted Cash and Investments	332,778	256,633
Capital assets		
Land and other nondepreciable assets	1,193,144	0
Depreciable capital assets, net	14,321,011	0
Total Capital Assets	15,514,155	0
Total Noncurrent Assets	15,846,933	256,633
TOTAL ASSETS	16,265,815	304,499
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	176,348	876
Unearned revenue	11,627	0
Total current liabilities	187,975	876
<u>Noncurrent liabilities</u>		
Other noncurrent liabilities	30,220	61,538
Long term debt	2,766,036	0
Total Noncurrent liabilities	2,796,256	61,538
TOTAL LIABILITIES	2,984,231	62,414
<u>NET POSITION</u>		
Unrestricted	(782,228)	47,583
Restricted	141,691	194,502
Net investment in capital assets	13,922,121	0
TOTAL NET POSITION	\$ 13,281,584	\$ 242,085

Contributions Contracts

<u>C-941</u>	<u>C-941</u>	<u>C-941</u>				
<u>Resident</u>	<u>Central</u>	<u>Capital</u>	<u>Business</u>	<u>Interfund</u>	<u>Total</u>	
<u>& Supportive</u>	<u>Office</u>	<u>Fund</u>	<u>Activities</u>	<u>Elimination</u>		
<u>Services</u>	<u>Cost</u>	<u>Program</u>				
	<u>Center</u>					
\$ 0	\$ 711,189	\$ 0	\$ 106,356	\$ 0	\$ 1,260,090	
0	13,667	0	0	0	37,870	
0	46,409	0	0	0	46,409	
0	771,265	0	106,356	0	1,344,369	
0	12,486	0	120,356	0	722,253	
0	123,445	0	67,536	0	1,384,125	
0	437,315	0	0	0	14,758,326	
0	560,760	0	67,536	0	16,142,451	
0	573,246	0	187,892	0	16,864,704	
0	1,344,511	0	294,248	0	18,209,073	
0	1,884	0	3,818	0	182,926	
0	0	0	0	0	11,627	
0	1,884	0	3,818	0	194,553	
0	10,602	0	0	0	102,360	
0	0	0	0	0	2,766,036	
0	10,602	0	0	0	2,868,396	
0	12,486	0	3,818	0	3,062,949	
0	771,265	0	106,356	0	142,976	
0	0	0	116,538	0	452,731	
0	560,760	0	67,536	0	14,550,417	
\$ 0	\$ 1,332,025	\$ 0	\$ 290,430	\$ 0	\$ 15,146,124	

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

	C-941	Annual Co C-2034E
	Low Income Public Housing	Section 8 Housing Choice Voucher Program
<u>OPERATING REVENUES</u>		
Rental income	\$ 876,302	\$ 0
Other income	22,682	79,984
TOTAL OPERATING REVENUE	898,984	79,984
<u>OPERATING EXPENSES</u>		
Administrative	1,032,835	280,245
Tenant services	188,033	19,892
Utilities	682,780	13,533
Ordinary maintenance and operation	2,424,363	12,654
Protective services	41,615	680
General expense	177,959	6,444
Housing assistance payments	0	2,875,507
Depreciation expense	1,024,179	0
TOTAL OPERATING EXPENSES	5,571,764	3,208,955
 OPERATING INCOME (LOSS)	 (4,672,780)	 (3,128,971)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Federal operating grants	1,730,787	2,988,380
Gain on sale of capital assets	(8,227)	0
Interest expense	(33,625)	0
Interest income	928	433
TOTAL NONOPERATING REVENUES (EXPENSES)	1,689,863	2,988,813
 INCOME (LOSS) BEFORE OTHER REVENUES	 (2,982,917)	 (140,158)
 CAPITAL CONTRIBUTIONS	 0	 0
 INCREASE (DECREASE) IN NET POSITION	 (2,982,917)	 (140,158)
 NET POSITION - BEGINNING OF YEAR, as originally stated	 15,576,010	 382,243
Equity transfers	688,491	0
 NET POSITION - BEGINNING OF YEAR, as restated	 16,264,501	 382,243
 NET POSITION, END OF YEAR	 \$ 13,281,584	 \$ 242,085

Contributions Contracts

<u>C-941</u>	<u>C-941</u>	<u>C-941</u>			
<u>Resident Opportunity & Supportive Services</u>	<u>Central Office Cost Center</u>	<u>Capital Fund Programs</u>	<u>Business Activities</u>	<u>Elimination</u>	<u>Total</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 876,302
0	671,162	0	0	(678,106)	95,722
0	671,162	0	0	(678,106)	972,024
0	599,683	0	446	(678,106)	1,235,103
3,452	0	0	0	0	211,377
0	6,226	0	56	0	702,595
0	34,155	0	0	0	2,471,172
0	2,128	0	0	0	44,423
0	20,640	0	11	0	205,054
0	0	0	0	0	2,875,507
0	37,819	0	0	0	1,061,998
3,452	700,651	0	513	(678,106)	8,807,229
(3,452)	(29,489)	0	(513)	0	(7,835,205)
0	0	486,077	0	0	5,205,244
0	0	0	0	0	(8,227)
0	0	0	0	0	(33,625)
0	321	0	238	0	1,920
0	321	486,077	238	0	5,165,312
(3,452)	(29,168)	486,077	(275)	0	(2,669,893)
3,452	0	196,414	0	0	199,866
0	(29,168)	682,491	(275)	0	(2,470,027)
0	1,367,193	0	290,705	0	17,616,151
0	(6,000)	(682,491)	0	0	0
0	1,361,193	(682,491)	290,705	0	17,616,151
\$ 0	\$ 1,332,025	\$ 0	\$ 290,430	\$ 0	\$ 15,146,124

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED
DECEMBER 31, 2013

Annual Contributions Contract C-941

501-10

1. The Capital Fund Grant Costs are as follows:

Funds Approved	\$	791,404
Funds Expended		<u>791,404</u>
Excess / (Deficiency) of Funds Approved	\$	<u><u>0</u></u>
Funds Advanced	\$	791,404
Funds Expended		<u>791,404</u>
Excess / (Deficiency) of Funds Advanced	\$	<u><u>0</u></u>

- Costs additions totaling \$ 18,782 were made during the current audit period and, accordingly, were audited by Goldie Roberts, CPA.
- The total amount of the Capital Fund Grant Costs at December 31, 2013 as shown above are in agreement with the Actual Development Cost Certificate submitted to HUD and approved by HUD.
- All Capital Fund grant work in connection with the Project has been completed.
- All liabilities have been paid and there are no undischarged liens against the Project on file in any public office where the same should be filed in order to be valid and the time in which such liens could be filed has expired.
- There were no budget overruns.

Kokomo Housing Authority (IN007)
KOKOMO, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$394,688		\$47,857	\$106,356	\$711,189	\$1,260,090		\$1,260,090
112 Cash - Restricted - Modernization and Development				\$116,538		\$116,538		\$116,538
113 Cash - Other Restricted	\$165,171		\$255,757		\$10,602	\$451,530		\$451,530
114 Cash - Tenant Security Deposits	\$77,810					\$77,810		\$77,810
115 Cash - Restricted for Payment of Current Liabilities	\$69,797		\$676	\$3,818	\$1,884	\$76,375		\$76,375
100 Total Cash	\$727,466	\$0	\$304,490	\$226,712	\$723,675	\$1,982,343	\$0	\$1,982,343
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects								
124 Accounts Receivable - Other Government								
125 Accounts Receivable - Miscellaneous	\$3,140				\$13,667	\$16,807		\$16,807
126 Accounts Receivable - Tenants	\$23,623					\$23,623		\$23,623
126.1 Allowance for Doubtful Accounts - Tenants	-\$12,167					-\$12,167		-\$12,167
126.2 Allowance for Doubtful Accounts - Other	-\$20,125				\$0	-\$20,125		-\$20,125
127 Notes, Loans, & Mortgages Receivable - Current	\$12,184					\$12,184		\$12,184
128 Fraud Recovery	\$2,288		\$38,121			\$40,409		\$40,409
128.1 Allowance for Doubtful Accounts - Fraud	-\$1,449		-\$38,121			-\$39,570		-\$39,570
129 Accrued Interest Receivable			\$9			\$9		\$9
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$7,494	\$0	\$9	\$0	\$13,667	\$21,170	\$0	\$21,170
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets								
143 Inventories								
143.1 Allowance for Obsolete Inventories					\$53,317	\$53,317		\$53,317
144 Inter Program Due From					-\$6,908	-\$6,908		-\$6,908
145 Assets Held for Sale								
150 Total Current Assets	\$734,960	\$0	\$304,499	\$226,712	\$763,751	\$2,049,922	\$0	\$2,049,922
161 Land	\$999,680							
162 Buildings	\$23,194,152				\$123,445	\$1,123,125		\$1,123,125
163 Furniture, Equipment & Machinery - Dwellings	\$1,162,017				\$917,850	\$29,112,002		\$29,112,002
164 Furniture, Equipment & Machinery - Administration	\$566,310		\$5,159		\$522,504	\$1,162,017		\$1,162,017
165 Leasehold Improvements						\$693,773		\$693,773
166 Accumulated Depreciation	-\$15,601,468		-\$5,159		-\$902,839	-\$16,409,466		-\$16,409,466
167 Construction in Progress	\$193,464			\$67,536		\$261,000		\$261,000
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$16,514,165	\$0	\$0	\$67,536	\$560,760	\$16,142,451	\$0	\$16,142,451

Kokomo Housing Authority (IN007)
KOKOMO, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$815,143					\$815,143		\$815,143
70400 Tenant Revenue - Other	\$61,159					\$61,159		\$61,159
70500 Total Tenant Revenue	\$876,302	\$0	\$0	\$0	\$0	\$876,302	\$0	\$876,302
70600 HUD PHA Operating Grants	\$2,216,864	\$2,988,380				\$5,205,244		\$5,205,244
70610 Capital Grants	\$196,414	\$3,452				\$199,866		\$199,866
70710 Management Fee					\$463,023	\$463,023	-\$463,023	\$0
70720 Asset Management Fee					\$66,000	\$66,000	-\$66,000	\$0
70730 Book Keeping Fee					\$102,277	\$102,277	-\$102,277	\$0
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue					\$631,300	\$631,300	-\$631,300	\$0
70800 Other Government Grants								
71100 Investment Income - Unrestricted	\$323		\$50	\$238	\$321	\$932		\$932
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery			\$33,178			\$33,178		\$33,178
71500 Other Revenue	\$22,682		\$46,806		\$39,862	\$109,350	-\$46,806	\$62,544
71600 Gain or Loss on Sale of Capital Assets	-\$6,227					-\$6,227		-\$6,227
72000 Investment Income - Restricted	\$605		\$983			\$988		\$988
70000 Total Revenue	\$3,304,963	\$3,452	\$3,068,797	\$238	\$671,483	\$7,048,933	-\$678,106	\$6,370,827
91100 Administrative Salaries	\$252,555		\$134,572		\$420,385	\$807,512		\$807,512
91200 Auditing Fees	\$6,078		\$2,689			\$8,777		\$8,777
91300 Management Fee	\$433,023		\$30,000			\$463,023	-\$463,023	\$0
91310 Book-keeping Fee	\$47,302		\$54,975			\$102,277	-\$102,277	\$0
91400 Advertising and Marketing								
91500 Employee Benefit Contributions - Administrative	\$118,689		\$32,744		\$198,367	\$290,800		\$290,800
91600 Office Expenses	\$82,980		\$18,287		\$24,508	\$125,783	-\$46,806	\$78,977
91700 Legal Expense	-\$2,449				\$2,440	-\$9		-\$9
91800 Travel								
91810 Allocated Overhead								
91900 Other	\$28,657		\$6,958	\$446	\$12,965	\$49,046		\$49,046
91000 Total Operating - Administrative	\$966,835	\$0	\$280,245	\$446	\$599,683	\$1,847,209	-\$612,106	\$1,235,103
92000 Asset Management Fee	\$66,000					\$66,000	-\$66,000	\$0
92100 Tenant Services - Salaries	\$119,249	\$2,852	\$17,053			\$139,254		\$139,254
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services	\$63,886	\$500	\$2,639			\$67,025		\$67,025
92400 Tenant Services - Other	\$14,888					\$14,888		\$14,888
92500 Total Tenant Services	\$188,033	\$3,452	\$19,892	\$0	\$0	\$211,377	\$0	\$211,377

93100 Water	\$112,629	\$282		\$942	\$113,853	\$113,853
93200 Electricity	\$278,421	\$10,069	\$56	\$2,265	\$290,811	\$290,811
93300 Gas	\$117,304	\$3,013		\$1,774	\$122,091	\$122,091
93400 Fuel						
93500 Labor						
93600 Sewer	\$174,426	\$169		\$1,245	\$175,840	\$175,840
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$882,780	\$13,533	\$56	\$6,226	\$702,595	\$702,595
94100 Ordinary Maintenance and Operations - Labor	\$450,382	\$484		\$4,201	\$455,067	\$455,067
94200 Ordinary Maintenance and Operations - Materials and Other	\$233,059	\$3,162		\$15,992	\$252,213	\$252,213
94300 Ordinary Maintenance and Operations Contracts	\$1,565,330	\$8,971		\$12,445	\$1,576,746	\$1,576,746
94500 Employee Benefit Contributions - Ordinary Maintenance	\$182,985	\$37		\$517	\$183,539	\$183,539
94000 Total Maintenance	\$2,421,756	\$12,654	\$0	\$33,155	\$2,467,565	\$2,467,565
95100 Protective Services - Labor		\$680			\$680	\$680
95200 Protective Services - Other Contract Costs	\$41,615			\$2,128	\$43,743	\$43,743
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$41,615	\$680	\$0	\$2,128	\$44,423	\$44,423
96110 Property Insurance	\$82,623	\$1,862		\$1,680	\$86,165	\$86,165
96120 Liability Insurance	\$21,504	\$3,410		\$3,215	\$28,129	\$28,129
96130 Workmen's Compensation	\$14,263	\$3,841		\$3,582	\$27,686	\$27,686
96140 All Other Insurance	\$7,663	\$638		\$4,470	\$12,771	\$12,771
96100 Total Insurance Premiums	\$126,053	\$9,751	\$0	\$18,947	\$154,751	\$154,751
96200 Other General Expenses	\$3,485	\$287		\$1,513	\$5,285	\$5,285
96210 Compensated Absences	\$586	-\$3,994		\$180	-\$2,828	-\$2,828
96300 Payments in Lieu of Taxes	\$16,770				\$16,770	\$16,770
96400 Bad debt - Tenant Rents	\$31,065				\$31,065	\$31,065
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$51,906	-\$3,307	\$0	\$1,693	\$50,292	\$50,292
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)			\$11		\$11	\$11
96730 Amortization of Bond Issue Costs	\$33,625				\$33,625	\$33,625
96700 Total Interest Expense and Amortization Cost	\$33,625	\$0	\$11	\$0	\$33,636	\$33,636
96900 Total Operating Expenses	\$4,578,603	\$333,448	\$513	\$661,832	\$5,578,106	\$4,898,742
97000 Excess of Operating Revenue over Operating Expenses	-\$1,273,640	\$0	-\$275	\$9,651	\$1,471,085	\$1,471,085
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments	\$2,607			\$1,000	\$3,607	\$3,607
97350 HAP Portability-In		\$2,875,507			\$2,875,507	\$2,875,507
97400 Depreciation Expense	\$1,024,179			\$37,819	\$1,061,998	\$1,061,998

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

<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	\$ 1,730,787	\$ 1,730,787
C-941	Resident Opportunity and Supportive Services	14.870	200,300	3,452
C-2034	Section 8 Housing Choice Voucher	14.871	2,988,380	2,988,380
C-941	Capital Fund Program	14.872	<u>2,753,099</u>	<u>682,491</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 7,672,566</u>	<u>\$ 5,405,110</u>

Notes to Schedule of Expenditures of Federal Awards:

The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A - Financial Data Schedule:

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense, housing assistance payments and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants, revenue, gains and losses on the disposal of capital assets and interest expense in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the financial statements.

OTHER REPORTS

Goldie Roberts

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*

Independent Auditor's Report

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Kokomo, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Kokomo's basic financial statements and have issued my report thereon dated September 10, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Housing Authority of the City of Kokomo's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Kokomo's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

I noted certain matters that I reported to the management of the Housing Authority of the City of Kokomo in a separate letter dated September 10, 2014.

Purpose Of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Goldie Roberts
Certified Public Accountant

Fredericksburg, Indiana
September 10, 2014

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by 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

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of the City of Kokomo's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Kokomo's major federal programs for the year ended December 31, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contract, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance with each of the Housing Authority of the City of Kokomo's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with the 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 on compliance for each major federal program. However, my audit does not provide a legal determination of the Housing Authority of the City of Kokomo's compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of the City of Kokomo, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on 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 requirements referred to above. In planning and performing my audit of the financial statements, I considered the Housing Authority of the City of Kokomo's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program 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 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
September 10, 2014

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

DECEMBER 31, 2013

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
14.872	Capital Fund Program

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

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no Financial Statement Findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no Federal Award Findings.