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May 29, 2009

Board of Commissioners  
Housing Authority of the City of Kokomo  
201 East Taylor Street  
Kokomo, Indiana 46901

We have reviewed the audit report prepared by Jean Sickels, CPA, Independent Public Accountant, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of Housing Authority of the City of Kokomo, as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the comments in the management letter, which is included in the back of the bound report.

STATE BOARD OF ACCOUNTS

# HOUSING AUTHORITY OF THE CITY OF KOKOMO

AUDITED FINANCIAL STATEMENTS

KOKOMO, INDIANA  
DECEMBER 31, 2007

*Jean Sickels*

Certified Public Accountant

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Fredericksburg, IN 47120  
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KOKOMO  
HOUSING AUTHORITY

Kokomo, Indiana  
DECEMBER 31, 2007

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# Jean Sickels

Certified Public Accountant  
8518 S Kays Chapel Rd  
Fredericksburg, IN 47120

## INDEPENDENT AUDITOR'S REPORT

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

I have audited the financial statements of the Housing Authority of the City of Kokomo ("the Authority") as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

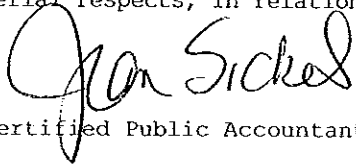
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Kokomo as of December 31, 2007, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 30, 2008, on my consideration of the Housing Authority of the City of Kokomo's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of my audit.

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

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

  
Certified Public Accountant

Fredericksburg, Indiana  
July 30, 2008

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis  
December 31, 2007

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, 2007. 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, 2007, were \$19,418,222. Total liabilities were \$225,395. Total assets exceeded liabilities by \$19,192,827 (net assets). The Housing Authority's net assets decreased by \$274,985 during the year ended December 31, 2007.

Total revenues for the year ended December 31, 2007 were \$6,869,162. Total expenditures for the year ended December 31, 2007, were \$7,146,946. Expenditures exceeded revenues by \$277,784 for the year.

During 2007, no grants were closed.

As of December 31, 2007, the Authority's investment in capital assets was \$17,552,121 (net of accumulated depreciation). This investment includes land, buildings, improvements, and equipment. Capital outlays for the year were \$23,896.

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. This annual report also contains the Financial Data Schedule as referenced in the section of Supplemental Information Required by HUD. The Housing Authority's financial statements are presented as fund level financial statements because the Housing Authority only has proprietary funds.

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2007

(Continued)

Overview of the Financial Statements (continued)

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

All of the current year's revenues and expenses are accounted for in the Statement of Changes in Net Assets. This statement measures the success of the Housing Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

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

The section Supplemental Information Required by HUD contains the Financial Data Schedule (FDS). 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, 2007.

Financial Analysis

The Housing Authority's financial statements are the Statement of Net Assets and the Statement of Changes in Net Assets. The Statement of Net Assets provides a summary of the Housing Authority's assets and liabilities as of the close of business on December 31, 2007. The Statement of Changes in Net Assets summarizes the revenues and sources of those revenues generated during the year ended December 31, 2007, and the expenses incurred in operating the Housing Authority for the year ended December 31, 2007.

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis  
December 31, 2007  
(Continued)

Financial Analysis (continued)

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

Statement of Net Assets  
December 31, 2007

<u>ASSETS</u>	FYE Dec. 31, 2007	FYE Dec. 31, 2006	Net Change
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 1,099,660	\$ 1,206,970	\$ (107,310)
Accounts Receivable	26,483	115,426	(88,943)
Prepaid Expense	130,114	64,501	65,613
Inventory	56,088	57,821	(1,733)
<b>Total Current Assets</b>	<u>1,312,345</u>	<u>1,444,718</u>	<u>(132,373)</u>
<b>Capital Assets, Net</b>	<u>17,552,121</u>	<u>17,947,668</u>	<u>(395,547)</u>
Restricted Cash	660,438	300,019	360,419
Investments in Partnerships	(106,682)	(12,802)	(93,880)
<b>Total Other Assets</b>	<u>553,756</u>	<u>287,217</u>	<u>266,539</u>
<b>Total Assets</b>	<u>19,418,222</u>	<u>19,679,603</u>	<u>(261,381)</u>
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts Payable	89,198	66,612	22,586
Payable from restricted cash and cash equivalents:			
Tenant's security deposits	82,243	81,210	1,033
Deferred revenue	11,174	9,208	1,966
<b>Total Current Liabilities</b>	<u>182,615</u>	<u>157,030</u>	<u>25,585</u>
<u>Noncurrent Liabilities</u>			
Other noncurrent liabilities	42,780	54,761	(11,981)
<b>Total Noncurrent Liabilities</b>	<u>42,780</u>	<u>54,761</u>	<u>(11,981)</u>
<b>Total Liabilities</b>	<u>225,395</u>	<u>211,791</u>	<u>13,604</u>
<u>Net Assets</u>			
Unrestricted	981,723	1,274,986	(293,263)
Restricted	658,983	245,158	413,825
Investment in capital assets	17,552,121	17,947,668	(395,547)
<b>Total Net Assets</b>	<u>\$ 19,192,827</u>	<u>\$ 19,467,812</u>	<u>\$ (274,985)</u>

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2007

(Continued)

Significant Changes in the Statement of Net Assets

Cash and Cash Equivalents decreased from \$1,206,970 in FY 2006 to \$1,099,660 in FY 2007 primarily as a result of the transfer of \$198,159 in Housing Choice Voucher (HCV) Program Housing Assistance Payments (HAP) Equity from Cash and Cash Equivalents (Cash-Unrestricted) in 2006 to Restricted Cash in 2007 and the transfer of \$41,325 in interest income from Restricted Cash in 2006 to Cash-Unrestricted in 2007 for a net decrease of \$156,834 from reclassifications. During 2007, Net Income, not including Depreciation Expense was \$504,489, Construction in Progress increased by \$391,407 and Prepaid Expenses increased by \$65,613 resulting in a net increase to Cash of \$47,469. The net of the HAP Equity Transfer and the Net Income increase accounts for the majority of the \$107,310 decrease.

Accounts Receivable for the Housing Authority decreased from \$115,426 in FY 2006 to \$26,483 in FY 2007. The decrease was mostly due to the fact that that only \$16 was due to the Housing Authority from the Department of Housing and Urban Development for costs incurred under the Capital Fund and Section 8 New Construction Programs at year's end while \$85,883 was due from HUD at the end of 2006. In addition, \$3,740 in Accrued Interest Receivable was due at FYE 2006 and \$0 was due at FYE 2007.

Prepaid Expense increased from \$64,501 in FY 2006 to \$130,114 in FY 2007. In FY 2007, the Housing Authority had prepaid \$130,114 for 2008 insurance coverage, but in 2006 no insurance coverage for the next year was prepaid. In FY 2006, the Housing Authority had written, but not distributed, the January 1, 2007, Briarwick HAP payment of \$64,501; however, the Housing Authority discontinued being Contract Administrator for Briarwick Apartments during 2007 and did not have any resulting prepaid expenses at FYE 2007.

Inventory decreased slightly from \$57,821 in FY 2006 to \$56,088 in FY 2007.

Other assets increased from \$287,217 in FY 2006 to \$553,756 in FY 2007. In FY 2006, the Housing Authority sold its first scattered site property to the existing resident under our Low Income Public Housing Homeownership Program. The proceeds from the sale were deposited into a checking account where the funds are restricted for use according to the requirements of the LIPH Homeownership Program. At the end of fiscal year 2006, there was \$35,975 in this new account. During 2007, another house was refurbished and sold resulting in an additional \$18,386 in this account. As mentioned above, net cash of \$156,834 had been classified as Cash - Unrestricted in FY 2006, but was classified as Cash - Restricted in FY 2007. In addition, HCV Program HAP Equity increased by \$188,973 due to \$173,698 received from HUD for HAP funding over HAP expenses and \$15,275 interest earned on these monies. During

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2007

(Continued)

Significant Changes in the Statement of Net Assets (continued)

FY 2007, \$8,307 in interest was earned on the Section 8 New Construction account that was restricted for modernization and development, but \$93,880 was recorded as a decrease in our investment in the Jefferson Crossing joint venture. These activities resulted in the \$86,679 increase.

Accounts Payable increased from \$64,732 in FY 2006 to \$86,542 in FY 2007 primarily as a net result of accruing 2007 costs of \$54,167 in utility expense, \$6,741 for completion of casualty damage repairs, and \$9,599 for an energy audit to be paid in 2008 while paying in 2007 accrued expenses from 2006 of \$20,100 of work done on the boiler system and \$30,329 in accrued software/training expenses. Additionally, KHA accrued an accounts payable of \$6,428 to HUD for HAP subsidy received in the Sec. 8 New Construction program over the HAP expense for 2007.

Deferred revenue, which increased from \$9,208 in FY 2006 to \$11,174 in FY 2007, consists entirely of the amount of tenant prepaid rent. January 1, 2007, and January 1, 2008, were both holidays so residents who receive disability payments from the Federal government received their payments on December 29, 2006, and December 31, 2007. Many of these residents prepaid their January rent on the day they received their disability payments. At FYE 2006, 106 residents had prepaid all or a portion of their January 2007 rent accounting for the \$9,208 in deferred revenue. At FYE 2007, 102 residents had prepaid all or a portion of their January 2008 rent accounting for the \$11,174 in deferred revenue.

Other Noncurrent Liabilities were entirely comprised of escrow accounts for those tenants who were enrolled in the five-year Family Self-Sufficiency program. Their total escrow balances decreased from \$54,761 in FY 2006 to \$42,780 in FY 2007 due to several residents graduating from the program and receiving their escrow balances.

Unrestricted Net Assets decreased from \$1,274,986 in FY 2006 to \$981,723 in FY 2007. Kokomo Housing Authority experienced a gain in operating reserves of \$17,306 for 2007 in the Low Income Public Housing program, a reduction of \$9,778 in the Section 8 New Construction program, a reduction of \$94,080 in Business Activities, and a reduction of \$206,711 in the Section 8 Voucher program resulting in the net reduction in unrestricted net assets of \$293,263.

Restricted Net Assets increased from \$245,158 in FY 2006 to \$658,983 in FY 2007. \$8,307 interest was earned on the Business Activities - Construction Fund restricted for modernization and development; the scattered site sales account, which was established in 2006 for the net proceeds of scattered site sales from the LIPH Homeownership Program, increased by \$18,386; as mentioned above, \$198,159 in Housing Choice Voucher (HCV) Program Housing Assistance Payments (HAP) Equity was transferred from Unrestricted in 2006 to Restricted Net Assets in 2007;

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis  
December 31, 2007  
(Continued)

Significant Changes in the Statement of Net Assets (continued)

and an additional \$188,973 in HCV HAP Equity was earned during 2007 resulting in the \$413,825 increase to restricted net assets.

Changes in Net Assets

<u>OPERATING REVENUES</u>	FYE Dec. 31, 2007	FYE Dec. 31, 2006	Net Change
Rental income	\$ 786,344	\$ 782,596	\$ 3,748
Other income	144,495	147,864	(3,369)
<b>TOTAL OPERATING REVENUE</b>	<b>930,839</b>	<b>930,460</b>	<b>379</b>
 <u>OPERATING EXPENSES</u>			
Administrative	1,084,889	1,032,589	52,300
Tenant services	223,615	117,978	105,637
Utilities	697,779	698,876	(1,097)
Ordinary maintenance & operation	1,104,494	999,116	105,378
Protective services	62,069	43,921	18,148
Casualty loss - not capitalized	5,662	264	5,398
General expense	163,157	150,477	12,680
Housing assistance payments	3,020,209	3,365,929	(345,720)
Depreciation expense	782,273	757,011	25,262
<b>TOTAL OPERATING EXPENSES</b>	<b>7,144,147</b>	<b>7,166,161</b>	<b>(22,014)</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(6,213,308)</b>	<b>(6,235,701)</b>	<b>22,393</b>
 <u>NONOPERATING REVENUES</u>			
Federal grants	5,445,340	5,591,272	(145,932)
Gain or loss on capital assets	28,983	25,924	3,059
Interest income	72,593	59,401	13,192
<b>TOTAL NONOPERATING INCOME</b>	<b>5,546,916</b>	<b>5,676,597</b>	<b>(129,681)</b>
 CAPITAL CONTRIBUTIONS	 391,407	 807,610	 (416,203)
<b>CHANGE IN NET ASSETS</b>	<b>(274,985)</b>	<b>248,506</b>	<b>(523,491)</b>
 TOTAL NET ASSETS - BEGINNING OF YEAR	 19,467,812	 19,219,306	 248,506
 TOTAL NET ASSETS - END OF YEAR	 <b>\$ 19,192,827</b>	 <b>\$ 19,467,812</b>	 <b>\$(274,985)</b>

Administrative expenses increased by \$81,824 due to a loss in net rental real estate income from the Jefferson Crossing Limited Partnership, and decreased by \$4,991 in expenses for the ROSS RSDM

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2007

(Continued)

Significant Changes in the Statement of Net Assets (continued)

grant and by \$26,145 in expenses for the Capital Fund grants for a net increase.

Tenant services increased due to increased salary and benefits costs. In previous years, the costs for the position of HCV Family Self Sufficiency Coordinator were included in administrative expenses, but during 2007 these costs were allocated to tenant services. In addition, tenant services, such as resident training and ISA accounts, through the ROSS RSDM increased by \$48,496.

Maintenance salaries and benefits increased by \$32,344 due to several changes in Maintenance Department. The Facilities Manager, Chief Mechanical Technician, and two part-time groundskeeper positions were eliminated, and a Maintenance Foreman, Security Specialist, and Revitalization Technician positions were added along with increasing the Housekeeper from part-time to full-time. Maintenance material costs have risen due to the increasing age of our developments and to increased costs passed on from our vendors. Also, an additional \$30,325 was spent on materials in the Capital Fund program. Maintenance contract costs increased by approximately \$34,750 from FY 2006 to FY 2007 due to the following: circulating pump repairs for \$6,500; renovating office space to create Asset Management Offices at Garden Square for \$6,700; and Capital Fund contract costs increased by \$25,000.

Protective Services increased in FY 2007 mostly due to increased payments of \$15,000 for additional security by local law enforcement.

In FY 2006, Kokomo Housing Authority experienced fire damages to a unit, vehicle damages, and fence damages totaling \$51,720. Insurance payments of \$51,456 were received resulting in the loss of \$264 for FY 2006. In FY 2007, damages due to a fire in a unit cost \$14,427, and \$8,765 was received from insurance resulting in the loss for FY 2007 of \$5,662, a \$5,398 increase in Casualty Loss from FY 2006.

General expenses increased during FY 2007 by \$6,208 in increased insurance costs and by \$6,559 in increased tenant rent bad debt.

During the year there was an increase in the number of units leased in the Section 8 Voucher program from 85% in FY 2006 to 90% in 2007 resulting in an increase in Housing Assistance Payments of \$39,522; however, since the New Construction program was eliminated as of June 30, 2007, the Housing Assistance Payments to Briarwick decreased by \$385,242.

Depreciation expense increased due to taking a full year's depreciation during FY 2007 on the \$1,343,076 of assets capitalized from the Capital Fund grants during FY 2006 when only a half year's depreciation was taken.

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2007

(Continued)

Significant Changes in the Statement of Net Assets (continued)

The decrease in Federal grants is a net result attributed to several programs. Low Rent subsidy increased by \$153,319 based on the new funding method HUD adopted beginning with FY 2007. On September 19, 2005, HUD established a new formula for determining operating subsidies for public housing authorities (PHAs) and required that PHAs with 250 or more LIPH units convert to asset management. For Kokomo Housing Authority, this new formula had to be used in preparing the 2007 budget. In future years, the subsidy will be based on Project Expense Levels (PELs) and Utility Expense Levels (UELs) based on each Asset Management Project (AMP), but for 2007, HUD established a Weighted Average Project Expense Level (WAPEL) for the entire LIPH program and based KHA's funding on that average. Under this formula, the Housing Authority has a considerably higher total Expense Level and would have received more subsidy but HUD decreased the funding level from 86.02% for 2006 to 83.4% for 2007.

The Section 8 Voucher subsidy increased by \$265, the Capital fund grants received \$54,533 of increased funding, and the ROSS RSDM Homeownership Grant received \$48,436 of additional funding. However, because of the elimination of the New Construction (Briarwick) program, that funding decreased by \$402,485 resulting in the net decrease.

Most of our sweep and savings accounts were transferred to a community bank during 2006, and subsequently, the interest income increased due to a significant increase in interest rates from what had been earned at the previous banks. During FY 2006, funds earned between 3.77% and 4.75% interest. During FY 2007, funds earned between 4.25% and 4.75% interest most of the year resulting in the increase. The Low Rent Public Housing program earned \$4,169 more interest, the Section 8 Voucher program \$7,294 more, the Section 8 New Construction \$2,167 more, and Business Activities - Construction Fund \$438 less resulting in the \$13,192 gain from FY 2006 to FY 2007.

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 2006, the Authority completed major improvements to the Pine Valley Apartment development, but no major projects were begun during FY 2007.

Financial Position and Results of Operations

The Housing Authority's net assets decreased in 2007 from \$19,467,812 in 2006 to \$19,192,827 by \$274,985. The decrease in net assets is due to the fact that expenses exceeded revenues for the year. Although most operating expenses increased, housing assistance payments decreased during the year because of the elimination of the New Construction program mid-year.

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2007

(Continued)

Financial Position and Results of Operations (continued)

Overall there was a decrease in total Federal Grants in 2007 in the amount of \$562,135 due to a 51% (\$402,485) decrease in funding for New Construction (Briarwick) Program, a 28% (\$313,234) decrease from the Capital Fund and ROSS RSDM grants, a 12% (\$153,319) increase for the Low Income Public Housing Program, and a \$265 increase in funding for the Housing Choice Voucher Program.

Capital Assets

Capital Assets are the largest asset reflected on the Authority's statement of net assets. The following is a summary of capital assets owned by the Authority at December 31, 2007:

Land	\$ 1,178,344
Buildings	25,584,159
Furniture and equipment	1,294,026
Construction in Progress	<u>1,303,150</u>
Sub-total	29,359,679
Less: Accumulated Depreciation	<u>( 11,807,558)</u>
Capital Assets, net	<u>\$ 17,552,121</u>
Capital Assets at December 31, 2006	\$ 17,947,668
2007 Depreciation	( 782,273)
Low Rent Capital Outlays	23,896
Increase in Construction in Progress	391,407
Disposals, net of accumulated depreciation	<u>( 28,577)</u>
Capital Assets at December 31, 2007	<u>\$ 17,552,121</u>

Debt

The Housing Authority has no long-term notes or mortgages; however, there is a balance of \$42,780 in noncurrent liabilities consisting entirely of residents' Family Self-Sufficiency escrow deposits. There are also current accounts payables of \$171,441 all of which are due and payable within the year.

Subsequent Events

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

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2007

(Continued)

Subsequent Events (continued)

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

The Authority adopted an operating budget for FYE December 31, 2008. This budget reflects total operating revenues of \$6,330,199 and total operating expenses of \$6,337,599. KHA based the budget on the Low Rent program being funded at an 80% level. HUD funded the Low Rent Subsidy at an 83.4% level for 2007. For the first nine months of 2008, HUD has funded the Low Rent Subsidy at 85% of eligible funding. If this level continues for the remainder of the 2008 year, the Low Rent Program will receive \$97,433 more than budgeted.

HUD also changed the baseline for HAP funding eligibility as required by the Consolidated Appropriations Act, 2008, Public Law 110-161 (2008 Act) and based on data that the Authority provided through the Voucher Management System (VMS) for the period of October 1, 2006 through September 30, 2007. This process was referred to as re-benchmarking. In addition, the calculation of administrative fees has been significantly changed for 2008. For years 2004 through 2007, each Housing Authority was paid a flat fee amount for the year, but for 2008, fees will be paid solely on the basis of number of units leased as of the first of each month. The total fee eligibility will be calculated quarterly, based on the Authority's VMS reporting. Using the HAP funding awarded for 2008 and the administrative fees received through July 2008, if the funding level remains the same, the Housing Choice Voucher program will receive \$11,659 less than budgeted.

Request for Information

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

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

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

STATEMENT OF NET ASSETS

DECEMBER 31, 2007

ASSETS

Current Assets

Cash	\$ 1,099,660
Accounts receivable, net	26,483
Prepaid expenses	130,114
Inventory, net	56,088
Total Current Assets	<u>1,312,345</u>

Noncurrent Assets

Restricted assets	
Restricted cash	<u>660,438</u>
Capital assets	
Land and other nondepreciable assets	2,481,494
Depreciable capital assets, net	<u>15,070,627</u>
Total Capital Assets	<u>17,552,121</u>
Investments in partnerships	<u>(106,682)</u>
Total Noncurrent Assets	<u>18,105,877</u>

TOTAL ASSETS 19,418,222

LIABILITIES

Current liabilities

Accounts payable	171,441
Deferred revenue	11,174
Total current liabilities	<u>182,615</u>

Noncurrent liabilities

Escrow deposits, restricted	<u>42,780</u>
Total Noncurrent liabilities	<u>42,780</u>

.. TOTAL LIABILITIES 225,395

NET ASSETS

Unrestricted	1,023,048
Restricted	617,658
Investment in capital assets	<u>17,552,121</u>

TOTAL NET ASSETS \$ 19,192,827

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007

OPERATING REVENUES

Total rental income	\$ 786,344
Other income	144,495
	930,839
<b>TOTAL OPERATING REVENUE</b>	<b>930,839</b>

OPERATING EXPENSES

Administrative	1,084,889
Tenant services	223,615
Utilities	697,779
Ordinary maintenance and operation	1,110,156
Protective services	62,069
General expense	163,157
Housing assistance payments	3,020,209
Depreciation expense	782,273
	7,144,147
<b>TOTAL OPERATING EXPENSES</b>	<b>7,144,147</b>

OPERATING INCOME (LOSS)	(6,213,308)
-------------------------	-------------

NONOPERATING REVENUES

Federal operating grants	5,445,340
Gain on sale of capital assets	28,983
Interest income	72,593
	5,546,916

TOTAL NONOPERATING REVENUES	5,546,916
-----------------------------	-----------

INCOME (LOSS) BEFORE OTHER REVENUES	(666,392)
-------------------------------------	-----------

CAPITAL CONTRIBUTIONS	391,407
	391,407

INCREASE (DECREASE) IN NET ASSETS	(274,985)
-----------------------------------	-----------

NET ASSETS, BEGINNING OF YEAR	19,467,812
	19,467,812

NET ASSETS, END OF YEAR	\$ 19,192,827
	19,192,827

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, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from residents and other deposits	\$ 877,253
Other receipts (payments)	144,495
Payments to suppliers	(1,849,147)
Payments to/for employees	(1,544,760)
Payments to landlords	<u>(3,020,209)</u>
 Net Cash Flows Provided (Used) by Operating Activities	  <u>(5,392,368)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	5,445,340
Net Cash Flows Provided (Used) by Noncapital Financing Activities	 <u>5,445,340</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Federal capital grants received	391,407
Gain on sale of capital assets	28,983
Purchase of capital assets	<u>(386,726)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	 <u>33,664</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Decrease in investment in partnerships	93,880
Sale of investments	99,969
Interest income	<u>72,593</u>
Net Cash Flows Provided by Investing Activities	 <u>266,442</u>

Net change in cash	353,078
 Cash - Beginning of year	 <u>1,407,020</u>
Cash - End of year	\$ <u><u>1,760,098</u></u>

Reconciliation of Cash:

Unrestricted	\$ 1,099,660
Restricted	<u>660,438</u>
Total Cash and Cash Equivalents	\$ <u><u>1,760,098</u></u>

Continued

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)

RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ (6,213,308)
Adjustments to reconcile net income to net cash Provided by operating activities:	
Depreciation	782,273
(Increase) Decrease in:	
Accounts receivable	88,943
Inventory	1,733
Prepaid expenses	(65,613)
Increase (Decrease) in:	
Accounts payable	23,619
Accrued liabilities	(11,981)
Deferred revenue	1,966
	<hr/>
Net Cash Flows Provided (Used) by Operating Activities	\$ <u>(5,392,368)</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, 2007

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

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

**Organization:** The HOUSING AUTHORITY OF THE CITY OF KOKOMO ("the Authority") is a political subdivision both corporate and politic which was established under the provision of Indiana Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into annual contributions contracts with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of a public housing program (Contract No. C-941) and section 8 programs (Contract No. C-2034 and C-2070).

**Reporting Entity:**

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

**Activities of the Housing Authority:**

At December 31, 2007, the Housing Authority had 1,205 units in management and was administering other programs as listed below:

Management

Low-Income Public Housing	556
Section 8 Housing Choice Vouchers	649
TOTAL ALL MANAGEMENT PROGRAMS	<u>1,205</u>

Other Programs

Capital Fund Program

Resident Opportunity and Supportive Services

Business Activities:

Tax Credit Partnership-Jefferson Crossing Housing Development Corp.

Non-Profit Training Company - Khatco, Inc.

Bond Refunding Construction Fund

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007  
(Continued)

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

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

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

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

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

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

**Restricted Assets:** Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service. The Authority has restricted funds totaling \$387,132 that represent excess HAP grant funding provided by the Department of Housing and Urban Development for the sole purpose of providing assistance payments to eligible individuals through the Housing Choice Voucher Program. The requirements imposed by HUD represent a legally enforceable requirement upon this program.

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

**Budgets:** Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The budgets are approved by the Board of Commissioners. Subsequent budget revisions must also be approved by the Board. The capital fund budgets are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007  
(Continued)

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

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

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

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

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

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

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

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

**Capital Assets:**

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

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

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007  
(Continued)

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

Capital Assets (continued):

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

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

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

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

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007  
(Continued)

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

**Risk Management:** (continued)

of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.

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

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

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

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

**1. HUD Deposit Restrictions**

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

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

**2. Risk Disclosures**

**A. Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At December 31, 2007, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007  
(Continued)

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

C. **Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name. The carrying amounts of the Authority's cash deposits were \$1,760,098 at December 31, 2007. Bank balances before reconciling items were \$1,979,244 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name.

Cash and Deposits at December 31, 2007, consist of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash/Checking accounts	\$1,485,019	\$1,704,165
Money Market/Savings	<u>275,079</u>	<u>275,079</u>
Total cash and deposits	<u>\$1,760,098</u>	<u>\$1,979,244</u>

**NOTE 3 - Accounts Receivable:**

Accounts receivables at December 31, 2007, consist of the following:

HUD	\$ 16
Miscellaneous - Receivables	1,560
Tenant Receivables	
Net of Allowance for Doubtful Accounts of \$13,229	<u>24,907</u>
Total	<u>\$ 26,483</u>

**NOTE 4 - Prepaid Expenses:**

Prepaid Expenses at December 31, 2007 consist of the following:

Prepaid Insurance	<u>\$ 130,114</u>
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**NOTE 5 - Inventory:**

Inventory at December 31, 2007, consists of the following:

Inventory, net of allowance of \$2,738	<u>\$ 56,088</u>
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**NOTE 6 - Capital Assets:**

A summary in changes in capital assets is as follows:

	<u>Beginning Balance 12/31/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 12/31/07</u>
Capital assets, not being depreciated:				
Land	\$ 1,185,305	\$ 0	\$ ( 6,961)	\$ 1,178,344
Construction in Progress	<u>911,743</u>	<u>391,407</u>	<u>0</u>	<u>1,303,150</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007  
(Continued)

Total Capital Assets, not being depreciated	<u>2,097,048</u>	<u>391,407</u>	<u>( 6,961)</u>	<u>2,481,494</u>
Capital Assets, being depreciated:				
Buildings and Improvements	25,623,459	0	( 39,300)	25,584,159
Furniture, equipment & Machinery	<u>1,290,365</u>	<u>23,896</u>	<u>( 20,235)</u>	<u>1,294,026</u>
Total Capital Assets, being depreciated	<u>26,913,824</u>	<u>23,896</u>	<u>( 59,535)</u>	<u>26,878,185</u>
Less Accumulated Depreciation for:				
Buildings	( 9,955,593)	( 703,292)	17,685	(10,641,200)
Furniture, equipment & Machinery	<u>( 1,107,611)</u>	<u>( 78,981)</u>	<u>20,234</u>	<u>( 1,166,358)</u>
Total Depreciation	<u>(11,063,204)</u>	<u>( 782,273)</u>	<u>37,919</u>	<u>(11,807,558)</u>
Total Capital Assets, being depreciated, net	<u>15,850,620</u>	<u>(758,377)</u>	<u>( 21,616)</u>	<u>15,070,627</u>
Capital Assets, Net	<u>\$17,947,668</u>	<u>\$ (366,970)</u>	<u>\$ ( 28,577)</u>	<u>\$17,552,121</u>

Depreciation expense for the year was: \$782,273

The following is a schedule of significant capital construction projects of the Authority with remaining commitment amounts as of December 31, 2007:

Various Projects	<u>\$83,886</u>
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**NOTE 7 - Investments in Joint Ventures:**

Investments at December 31, 2007 consist of the following:

Tax Credit Partnership - Jefferson Crossing Housing Development Corporation	<u>\$ (106,682)</u>
--	---------------------

The Housing Authority entered into a limited partnership (Jefferson Crossing Limited Partnership) agreement for the purpose of constructing and managing a 90-unit complex of 62 two bedroom units and 28 three bedroom units. Jefferson Crossing Apartments must lease 18%, sixteen units, to low income families. The partnership has received tax credits from the State of Indiana. The Housing Authority holds a .51% general partnership interest, with the remaining 99.49% general and limited partnership interests held by unrelated investors. The Housing Authority Partnership interest is \$(106,682). The partnership is accounted for on the equity basis of accounting. The decrease in equity for this fiscal year is \$93,880.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007  
(Continued)

**NOTE 8 - Accounts Payable:**

Accounts payable at December 31, 2007 consist of the following:

HUD	\$ 6,428
Vendors' Accounts Payable	80,014
Tenant Security Deposits	82,243
Other Liabilities	100
Accrued Wages/Payroll Taxes Payable	<u>2,656</u>
TOTAL	<u>\$ 171,441</u>

**NOTE 9 - Deferred Revenue:**

Deferred Revenue at December 31, 2007, consists of the following:

Tenant prepaid rents	<u>\$11,174</u>
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**NOTE 10 - Other Noncurrent Liabilities:**

Other noncurrent liabilities at December 31, 2007, consist of the following:

Family Self-Sufficiency Escrow Deposits	<u>\$ 42,780</u>
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**NOTE 11 - Restricted Net Assets:**

The restricted net assets are as follows:

Business Activities - Construction Fund	\$ 217,590
Low Rent - Scattered Sites Rehab Fund	54,261
Section 8 HCV Housing Assistance Payment (HAP) Equity	<u>387,132</u>
Total	<u>\$ 658,983</u>

**NOTE 12- Federal Operating Grants:**

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

Section 8 New Construction	\$ 388,487
Low Rent Public Housing	1,447,469
ROSS	91,600
Housing Choice Vouchers	3,175,171
Capital Fund Program	<u>342,613</u>
TOTAL	<u>\$5,445,340</u>

**NOTE 13- Capital Contributions:**

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended December 31, 2007 were \$391,407.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007  
(Continued)

**NOTE 14- Contingencies:**

Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. All amounts receivable from HUD as of December 31, 2007, 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, 2007. Areas of noncompliance, if any, as a result of examinations would be reported in the "Schedule of Findings and Questioned Costs" section of this report.

There were certain major construction projects in progress at December 31, 2007. 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, 2007, the Authority had not yet spent a total of \$1,001,052 available from the Capital Fund Program grants.

**Note 15- Defined Contribution Plan:**

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

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account, the returns earned on investments of those contribution and forfeitures of other participants' benefits that may be allocated to such participant's account. As established by the Authority's personnel policy, all full-time employees of the Authority must participate in the pension plan beginning 6 months from the date they are hired. As determined by the plan provisions, the Authority's contributions are an amount equal to 9.0% of the employee's base salary each month. Contributions made by the Authority vest after five years of full time employment. An Employee who leaves the employment of the Authority is entitled to the Authority's contributions to the extent vested and the earnings on these amounts. Authority contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Authority's current-period contribution requirement. During the year ended December 31, 2007, the Authority's required and actual contributions were \$97,716.

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, 2007.

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.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007  
(Continued)

NOTE 16- Conduit Type Debt:

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

NOTE 17- Economic Dependency:

The Authority receives approximately 85% of its revenues from the U.S. Department of Housing and Urban Development (HUD). If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

SUPPLEMENTAL FINANCIAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

COMBINING SCHEDULE OF ASSETS, LIABILITIES, AND NET ASSETS  
DECEMBER 31, 2007

	Annual Contributions			Contracts
	C-2070	C-941	C-2034E	C-941
	Section 8 New Construction	Low Income Public Housing	Section 8 Housing Choice Voucher Program	Resident Opportunity & Supportive Services
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 12,037	\$ 538,996	\$ 445,210	\$ 0
Accounts receivable, net	0	24,967	1,500	16
Interprogram	0	301,591	0	0
Prepaid expenses	0	119,559	10,555	0
Inventory, net	0	56,088	0	0
<b>Total Current Assets</b>	<b>12,037</b>	<b>1,041,201</b>	<b>457,265</b>	<b>16</b>
<b>Noncurrent Assets</b>				
<b>Restricted assets</b>				
Restricted Cash	0	68,367	415,806	0
<b>Capital assets</b>				
Land and other nondepreciable	0	1,178,344	0	0
Depreciable capital assets, net	0	15,070,627	0	0
<b>Total Capital Assets</b>	<b>0</b>	<b>16,248,971</b>	<b>0</b>	<b>0</b>
Investments in partnerships	0	0	0	0
<b>Total Noncurrent Assets</b>	<b>0</b>	<b>16,317,338</b>	<b>415,806</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>12,037</b>	<b>17,358,539</b>	<b>873,071</b>	<b>16</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	6,428	164,676	337	0
Interprogram	5,609	0	295,966	16
Deferred revenue	0	11,174	0	0
<b>Total current liabilities</b>	<b>12,037</b>	<b>175,850</b>	<b>296,303</b>	<b>16</b>
<b>Noncurrent liabilities</b>				
Escrow deposits	0	14,106	28,674	0
<b>Total Noncurrent liabilities</b>	<b>0</b>	<b>14,106</b>	<b>28,674</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>12,037</b>	<b>189,956</b>	<b>324,977</b>	<b>16</b>
<b>NET ASSETS</b>				
Unrestricted	0	865,351	160,962	0
Restricted	0	54,261	387,132	0
Investment in capital assets	0	16,248,971	0	0
<b>TOTAL NET ASSETS</b>	<b>\$ 0</b>	<b>\$ 17,168,583</b>	<b>\$ 548,094</b>	<b>\$ 0</b>

C-941

Capital Fund Program	Business Activities	Interfund Elimination	Total
\$ 0	\$ 103,417	\$ 0	\$ 1,099,660
0	0	0	26,483
0	0	(301,591)	0
0	0	0	130,114
0	0	0	56,088
0	103,417	(301,591)	1,613,936
0	176,265	0	660,438
1,294,450	8,700	0	2,481,494
0	0	0	15,070,627
1,294,450	8,700	0	17,552,121
0	(106,682)	0	(106,682)
1,294,450	78,283	0	18,105,877
1,294,450	181,700	(301,591)	19,719,813
0	0	0	171,441
0	0	(301,591)	0
0	0	0	11,174
0	0	(301,591)	484,206
0	0	0	42,780
0	0	0	42,780
0	0	(301,591)	526,986
0	(3,265)	0	1,023,048
0	176,265	0	617,658
1,294,450	8,700	0	17,552,121
\$ 1,294,450	\$ 181,700	\$ 0	\$ 19,192,827

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Annual Contributions		
	C-2070	C-941	C-2034E
	Section 8 New Construction	Low Income Public Housing	Section 8 Housing Choice Voucher Program
<b>OPERATING REVENUES</b>			
Rental income	\$ 0	\$ 786,344	\$ 0
Other income	0	141,623	2,872
<b>TOTAL OPERATING REVENUE</b>	<u>0</u>	<u>927,967</u>	<u>2,872</u>
<b>OPERATING EXPENSES</b>			
Administrative	27,580	497,111	272,740
Tenant services	0	100,260	43,919
Utilities	0	685,311	12,468
Ordinary maintenance and operation	3,619	968,439	21,699
Protective services	0	16,893	176
General expense	770	143,532	18,855
Housing assistance payments	370,653	0	2,649,556
Depreciation expense	0	782,273	0
<b>TOTAL OPERATING EXPENSES</b>	<u>402,622</u>	<u>3,193,819</u>	<u>3,019,413</u>
<b>OPERATING INCOME (LOSS)</b>	<b>(402,622)</b>	<b>(2,265,852)</b>	<b>(3,016,541)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal operating grants	388,487	1,447,469	3,175,171
Gain on sale of capital assets	0	28,983	0
Interest income	4,357	38,138	21,791
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>392,844</u>	<u>1,514,590</u>	<u>3,196,962</u>
<b>INCOME (LOSS) BEFORE OTHER REVENUES</b>	<b>(9,778)</b>	<b>(751,262)</b>	<b>180,421</b>
<b>CAPITAL CONTRIBUTIONS</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(9,778)</b>	<b>(751,262)</b>	<b>180,421</b>
NET ASSETS - BEGINNING OF YEAR, as originally stated	71,224	17,919,845	367,673
Equity transfers	(61,446)	0	0
NET ASSETS - BEGINNING OF YEAR, as restated	<u>9,778</u>	<u>17,919,845</u>	<u>367,673</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 0</u>	<u>\$ 17,168,583</u>	<u>\$ 548,094</u>

Contracts

C-941		C-941		
Resident Opportunity & Supportive Services	Capital Fund Program	Business Activities	Total	
\$ 0	\$ 0	\$ 0	\$ 786,344	
0	0	0	144,495	
0	0	0	930,839	
8,270	185,108	94,080	1,084,889	
79,436	0	0	223,615	
0	0	0	697,779	
3,894	112,505	0	1,110,156	
0	45,000	0	62,069	
0	0	0	163,157	
0	0	0	3,020,209	
0	0	0	782,273	
<u>91,600</u>	<u>342,613</u>	<u>94,080</u>	<u>7,144,147</u>	
(91,600)	(342,613)	(94,080)	(6,213,308)	
91,600	342,613	0	5,445,340	
0	0	0	28,983	
0	0	8,307	72,593	
<u>91,600</u>	<u>342,613</u>	<u>8,307</u>	<u>5,546,916</u>	
0	0	(85,773)	(666,392)	
0	391,407	0	391,407	
0	391,407	(85,773)	(274,985)	
0	903,043	206,027	19,467,812	
0	0	61,446	0	
0	903,043	267,473	19,467,812	
<u>\$ 0</u>	<u>\$ 1,294,450</u>	<u>\$ 181,700</u>	<u>\$ 19,192,827</u>	

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

SCHEDULE OF MCKINNEY ACT BOND REFINANCING RECEIPTS AND EXPENDITURES  
DECEMBER 31, 2007

	Total Balance	Unrestricted Balance	Restricted Balance
Audited Balance at December 31, 2006	\$ 217,983	\$ 33,018	\$ 184,965
Funds received	0	0	0
Interest earnings	8,307	8,307	0
Funds expended	8,700	0	8,700
Balance at December 31, 2007	<u>\$ 217,590</u>	<u>\$ 41,325</u>	<u>\$ 176,265</u>

PHA: IN007 FYED: 12/31/2007

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$103,417	\$12,037	\$456,753	\$0	\$445,210	\$0	\$1,017,417
112	Cash - Restricted - Modernization and Development	\$176,265	\$0	\$0	\$0	\$0	\$0	\$176,265
113	Cash - Other Restricted	\$0	\$0	\$68,367	\$0	\$415,806	\$0	\$484,173
114	Cash - Tenant Security Deposits	\$0	\$0	\$82,243	\$0	\$0	\$0	\$82,243
100	Total Cash	\$279,682	\$12,037	\$607,363	\$0	\$861,016	\$0	\$1,760,098
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$16	\$0	\$0	\$16
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$60	\$0	\$1,500	\$0	\$1,560
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$38,136	\$0	\$0	\$0	\$38,136
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$-13,229	\$0	\$0	\$0	\$-13,229
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0	\$24,967	\$16	\$1,500	\$0	\$26,483
142	Prepaid Expenses and Other Assets	\$0	\$0	\$119,559	\$0	\$10,555	\$0	\$130,114
143	Inventories	\$0	\$0	\$58,826	\$0	\$0	\$0	\$58,826
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$-2,738	\$0	\$0	\$0	\$-2,738
144	Interprogram Due From	\$0	\$0	\$301,591	\$0	\$0	\$0	\$301,591
150	Total Current Assets	\$279,682	\$12,037	\$1,109,568	\$16	\$873,071	\$0	\$2,274,374
161	Land	\$0	\$0	\$1,178,344	\$0	\$0	\$0	\$1,178,344
162	Buildings	\$0	\$0	\$25,584,159	\$0	\$0	\$0	\$25,584,159
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$416,085	\$0	\$0	\$0	\$416,085
164	Furniture, Equipment & Machinery - Administration	\$0	\$3,061	\$849,893	\$0	\$24,987	\$0	\$877,941
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	\$0	\$-3,061	\$-1,179,510	\$0	\$-24,987	\$0	\$-11,807,558
167	Construction in Progress	\$8,700	\$0	\$0	\$0	\$0	\$1,294,450	\$1,303,150
160	Total Fixed Assets, Net of Accumulated Depreciation	\$8,700	\$0	\$16,248,971	\$0	\$0	\$1,294,450	\$17,552,121
176	Investments in Joint Ventures	\$-106,682	\$0	\$0	\$0	\$0	\$0	\$-106,682
180	Total Non-Current Assets	\$-97,982	\$0	\$16,248,971	\$0	\$0	\$1,294,450	\$17,445,439
190	Total Assets	\$181,700	\$12,037	\$17,358,539	\$16	\$873,071	\$1,294,450	\$19,719,813

PHA: IN007 FYED: 12/31/2007

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
312	Accounts Payable <= 90 Days	\$0	\$0	\$79,677	\$0	\$337	\$0	\$80,014
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$2,656	\$0	\$0	\$0	\$2,656
331	Accounts Payable - HUD PHA Programs	\$0	\$6,428	\$0	\$0	\$0	\$0	\$6,428
341	Tenant Security Deposits	\$0	\$0	\$82,243	\$0	\$0	\$0	\$82,243
342	Deferred Revenues	\$0	\$0	\$11,174	\$0	\$0	\$0	\$11,174
345	Other Current Liabilities	\$0	\$0	\$100	\$0	\$0	\$0	\$100
347	Interprogram Due To	\$0	\$5,609	\$0	\$16	\$295,966	\$0	\$301,591
310	Total Current Liabilities	\$0	\$12,037	\$175,850	\$16	\$296,303	\$0	\$484,206
353	Noncurrent Liabilities - Other	\$0	\$0	\$14,106	\$0	\$28,674	\$0	\$42,780
350	Total Noncurrent Liabilities	\$0	\$0	\$14,106	\$0	\$28,674	\$0	\$42,780
300	Total Liabilities	\$0	\$12,037	\$189,956	\$16	\$324,977	\$0	\$526,986

508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$8,700	\$0	\$0	\$0	\$0	\$0	\$1,294,450	\$17,552,121
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$176,265	\$0	\$54,261	\$0	\$387,132	\$0	\$617,658	\$617,658
512.1	Unrestricted Net Assets	\$-3,265	\$0	\$865,351	\$0	\$160,962	\$0	\$1,023,048	\$1,023,048
513	Total Equity/Net Assets	\$181,700	\$0	\$17,168,583	\$0	\$548,094	\$0	\$1,294,450	\$19,192,827
600	Total Liabilities and Equity/Net Assets	\$181,700	\$12,037	\$17,358,539	\$16	\$873,071	\$1,294,450	\$19,719,813	\$19,719,813

PHA: IN007 FYED: 12/31/2007

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$0	\$0	\$722,354	\$0	\$0	\$0	\$722,354
704	Tenant Revenue - Other	\$0	\$0	\$63,990	\$0	\$0	\$0	\$63,990
705	Total Tenant Revenue	\$0	\$0	\$786,344	\$0	\$0	\$0	\$786,344
706	HUD PHA Operating Grants	\$0	\$388,487	\$1,447,469	\$91,600	\$3,175,171	\$342,613	\$5,445,340
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$391,407	\$391,407
711	Investment Income - Unrestricted	\$0	\$4,357	\$35,528	\$0	\$0	\$0	\$39,885
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$90	\$0	\$90
715	Other Revenue	\$0	\$0	\$141,623	\$0	\$2,782	\$0	\$144,405
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$28,983	\$0	\$0	\$0	\$28,983
720	Investment Income - Restricted	\$8,307	\$0	\$2,610	\$0	\$21,791	\$0	\$32,708
700	Total Revenue	\$8,307	\$392,844	\$2,442,557	\$91,600	\$3,199,834	\$734,020	\$6,869,162

PHA: IN007 FYED: 12/31/2007

Line Item No.	Account Description	Business Activities	NIC S/R Section 8 Programs	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$0	\$5,488	\$345,854	\$0	\$178,445	\$33,434	\$583,221
912	Auditing Fees	\$0	\$590	\$3,463	\$0	\$1,930	\$0	\$5,983
915	Employee Benefit Contributions - Administrative	\$0	\$8,663	\$104,691	\$0	\$58,755	\$11,969	\$184,078
916	Other Operating - Administrative	\$94,080	\$12,839	\$43,103	\$8,270	\$33,610	\$119,705	\$311,607
921	Tenant Services - Salaries	\$0	\$0	\$59,842	\$18,548	\$35,195	\$0	\$113,585
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$21,862	\$9,708	\$8,724	\$0	\$40,294
924	Tenant Services - Other	\$0	\$0	\$18,556	\$51,180	\$0	\$0	\$69,736
931	Water	\$0	\$0	\$93,875	\$0	\$274	\$0	\$94,149
932	Electricity	\$0	\$0	\$203,038	\$0	\$6,739	\$0	\$209,777
933	Gas	\$0	\$0	\$209,559	\$0	\$5,235	\$0	\$214,794
938	Other Utilities Expense	\$0	\$0	\$178,839	\$0	\$220	\$0	\$179,059
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$446,778	\$0	\$0	\$8,797	\$455,575
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$146,364	\$0	\$3,500	\$35,729	\$185,593
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$3,619	\$203,167	\$3,894	\$18,199	\$66,440	\$295,319
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$166,468	\$0	\$0	\$1,539	\$168,007
952	Protective Services - Other Contract Costs	\$0	\$0	\$16,893	\$0	\$176	\$45,000	\$62,069
961	Insurance Premiums	\$0	\$770	\$123,237	\$0	\$18,381	\$0	\$142,388
962	Other General Expenses	\$0	\$0	\$2,766	\$0	\$474	\$0	\$3,240
964	Bad Debt - Tenant Rents	\$0	\$0	\$17,529	\$0	\$0	\$0	\$17,529
969	Total Operating Expenses	\$94,080	\$31,969	\$2,405,884	\$91,600	\$369,857	\$342,613	\$3,336,003
970	Excess Operating Revenue over Operating Expenses	\$-85,773	\$360,875	\$36,673	\$0	\$2,829,977	\$391,407	\$3,533,159
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$5,662	\$0	\$0	\$0	\$5,662
973	Housing Assistance Payments	\$0	\$370,653	\$0	\$0	\$2,649,556	\$0	\$3,020,209
974	Depreciation Expense	\$0	\$0	\$782,273	\$0	\$0	\$0	\$782,273
900	Total Expenses	\$94,080	\$402,622	\$3,193,819	\$91,600	\$3,019,413	\$342,613	\$7,144,147
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$-85,773	\$-9,778	\$-751,262	\$0	\$180,421	\$391,407	\$-274,985

PHA: IN007 FYED: 12/31/2007

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$206,027	\$71,224	\$17,919,845	\$0	\$367,673	\$903,043	\$19,467,812
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$61,446	\$-61,446	\$0	\$0	\$0	\$0	\$0
1120	Unit Months Available	0	768	6,674	0	7,788	0	15,230
1121	Number of Unit Months Leased	0	768	6,487	0	6,980	0	14,235
1117	Administrative Fee Equity	\$0	\$0	\$0	\$0	\$160,962	\$0	\$160,962
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$0	\$387,132	\$0	\$387,132

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 Date Submission Created: 04/21/2008

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HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

<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-2070	Section 8 New Construction	14.182	\$ 388,487	\$ 388,487
C-941	Low Income Public Housing	14.850	1,447,469	1,447,469
C-941	Resident Opportunity and Supportive Services	14.870	250,000	91,600
C-2034	Section 8 Housing Choice Voucher	14.871	3,175,171	3,175,171
C-941	Capital Fund Program	14.872	<u>3,197,127</u>	<u>734,020</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b><u>\$ 8,458,254</u></b>	<b><u>\$5,836,747</u></b>

Notes to Schedule of Expenditures of Federal Awards:

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

OTHER REPORTS

# Jean Sicks

Certified Public Accountant  
8518 S Kays Chapel Rd  
Fredericksburg, IN 47120

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

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

I have audited the financial statements of the Housing Authority of the City of Kokomo, as of and for the year ended December 31, 2007 and have issued my report thereon dated July 30, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

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

Compliance and Other Matters

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

I noted certain matters that I reported to the management of the Housing Authority of the City of Kokomo in a separate letter dated July 30, 2008.

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

  
Certified Public Accountant

Fredericksburg, Indiana  
July 30, 2008

# Jean Sidels

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120

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

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

## Compliance

I have audited the compliance of the Housing Authority of the City of Kokomo with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The Housing Authority of the City of Kokomo's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the City of Kokomo's management. My responsibility is to express an opinion on the Housing Authority of the City of Kokomo's compliance based on my audit.

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

In my opinion, the Housing Authority of the City of Kokomo complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

## Internal Control Over Compliance

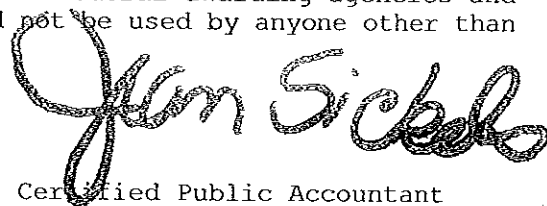
The management of the Housing Authority of the City of Kokomo is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

A handwritten signature in black ink, appearing to read "Jean Sicks". The signature is written in a cursive, flowing style.

Certified Public Accountant

Fredericksburg, Indiana  
July 30, 2008

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

DECEMBER 31, 2007

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>
14.182	Section 8 New Construction
14.850	Low Income Public Housing

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

Auditee qualified as low-risk auditee?   X  yes       no

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no Financial Statement Findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no Federal Award Findings.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

DECEMBER 31, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

PRIOR YEAR FINDINGS

2006-01      PRIOR  
CONDITION:      RESIDENT FILES

In a sample of 40 resident files, the following exceptions were noted:

- 1 No income verification
- 2 Leases not current
- 3 No section 214 immigration status forms

CURRENT  
CONDITION:      In the current review of 40 resident files no reportable exceptions were noted, however, see the management letter.

DISCUSSED  
WITH:              Shirley Young 7/30/08

This finding is cleared.

2006-02      PRIOR  
CONDITION:      JOURNAL VOUCHERS

During the review of journal vouchers, it was noted that there is no internal control system for reviewing and approving journal entries.

CURRENT  
CONDITION:      The Authority now has procedures in place where the Executive Director reviews and signs off on each of the Journal Vouchers created by the Finance Director.

DISCUSSED  
WITH:              Shirley Young 7/30/08

This finding is cleared.

CURRENT YEAR FINDINGS

There are no current year findings.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

DECEMBER 31, 2007

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

The audit contained the following findings for the year ended December 31, 2007. Their current condition is as follows:

<u>Finding #</u>	<u>Condition</u>	<u>Status</u>
2006-01	Resident Files	Cleared
2007-02	Journal Vouchers	Cleared

# *Jean Sidel*

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Mobile No. (404) 210-0394

July 30, 2008

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

In planning and performing my audit of the financial statements of the Housing Authority of the City of Kokomo for the year ended December 31, 2007, I considered the Authority's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect my report dated July 30, 2008 on the financial statements of the Authority.

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

1. CONDITION: RESIDENT FILES

In the sample of the resident files it was noted that one 9886 was not properly dated, one household did not have the 18 year old come in and sign the 9886 and one file did not contain a 9886.

RECOMMENDATION:

The Authority should ensure that all forms are accurate and timely executed in the resident's files.

2. CONDITION: INVENTORY

A physical inventory was taken and it was noted that one item did not have the proper extension and that the Authority is experiencing some operating errors with the new inventory software.

RECOMMENDATION:

The Authority should take test counts on a regular basis and agree the inventory until all the software issues are resolved.

3. CONDITION: COLLATERALIZATION

During the review of collateralization it was noted that one bank did not sufficiently collateralize the Authority's accounts at year end and then subsequently corrected the situation.

RECOMMENDATION:

The Authority should have stronger procedures in place to monitor collateralization on a monthly or quarterly basis.

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

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

Sincerely,

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

Jean Sickels  
Certified Public Accountant