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August 18, 2017

Board of Directors  
Housing Authority of the City of Kokomo  
201 E Taylor St  
Kokomo, IN 46901

We have reviewed the audit report prepared by Goldie Roberts, CPA, Independent Public Accountant, for the period January 1, 2016 to December 31, 2016. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Kokomo, as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit report is filed with this letter in our office as a matter of public record.

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

Paul D. Joyce, CPA  
State Examiner

# HOUSING AUTHORITY OF THE CITY OF KOKOMO

AUDITED FINANCIAL STATEMENTS

Kokomo, Indiana

December 31, 2016

*Goldie Roberts*

Certified Public Accountant

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

Kokomo, Indiana  
DECEMBER 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
<b>Management's Discussion and Analysis</b>	i
 <b><u>FINANCIAL STATEMENTS</u></b>	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Fund Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	7
 <b><u>SUPPLEMENTAL FINANCIAL INFORMATION</u></b>	
Combining Schedule of Program Net Position	18
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	19
Statement and Certification of Actual Capital Fund Grant Costs - Completed	20
Financial Data Schedule	21
Notes to Supplemental Financial Information	26
Schedule of Expenditures of Federal Awards	27
 <b><u>OTHER REPORTS</u></b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by Uniform Guidance	30
Schedule of Findings and Questioned Costs	32

# Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.  
Fredericksburg, IN 47120

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Housing Authority of the City of Kokomo ("the Authority") which comprise the Statement of Net Position as of December 31, 2016, and the related Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the year then ended, and the related Notes to the Financial Statements, which collectively comprise the Housing Authority of the City of Kokomo's financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Kokomo as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

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

### Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule, Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principals and Audit Requirements for Federal Awards, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

In regard to, the Financial Data Schedule, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents, such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Financial Data Schedule, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents is fairly stated, in all material respects, in relation to the financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 11, 2017, on my consideration of the Housing Authority of the City of Kokomo's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Kokomo's internal control over financial reporting and compliance.

  
Certified Public Accountant

Fredericksburg, Indiana  
August 11, 2017

**Housing Authority of the City of Kokomo  
Kokomo, Indiana**

**Management's Discussion and Analysis  
December 31, 2016**

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, 2016. 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, 2016, were \$16,780,605. Total liabilities and deferred inflow of resources were \$4,312,461. Total assets exceeded liabilities by \$12,468,144 (net position). The Housing Authority's net position decreased by \$830,062 during the year ended December 31, 2016.

Total revenues for the year ended December 31, 2016, were \$7,756,832. Total expenditures for the year ended December 31, 2016, were \$8,586,894. Expenditures exceeded revenues by \$830,062 for the year.

During 2016, the following federal grants were closed: Capital Fund IN36P00750113 of \$656,063, Capital Fund IN36P00750114 of \$630,935, Emergency Safety & Security Grant IN36E00750115 of \$222,810, and ROSS Grant IN007FSH455A015. KHA also received and completed a Snapple KaBoom Grant of \$15,000 and a Summer Leadership Academy Grant of \$991.

As of December 31, 2016, the Authority's net investment in capital assets was \$11,083,713 (net of accumulated depreciation). This investment includes land, buildings, improvements, and equipment. Capital outlays for the year were \$398,661.

**Overview of the Financial Statements**

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

**Housing Authority of the City of Kokomo  
Kokomo, Indiana**

**Management's Discussion and Analysis**

**December 31, 2016**

(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 Position includes all the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Housing Authority's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Housing Authority and assessing the liquidity and financial flexibility of the Housing Authority.

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

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

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

HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2016.

**Financial Analysis**

The Housing Authority's financial statements are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position, and the Statement of Cash Flows. The Statement of Net Position provides a summary of the Housing Authority's assets and liabilities as of the close of business on December 31, 2016. The Statement of Revenues, Expenses and Changes in Fund Net Position summarizes the revenues and sources of those revenues generated during the year ended December 31, 2016, and the expenses incurred in operating the Housing Authority for the year ended December 31, 2016. The Statement of Cash Flows details the inflows and outflows of cash for the year ended December 31, 2016.

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis  
December 31, 2016  
(Continued)

Financial Analysis (continued)

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

Statement of Net Position  
December 31, 2016

<u>ASSETS</u>	FYE Dec. 31, 2016	FYE Dec. 31, 2015	Net Change
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 1,254,964	\$ 1,032,160	\$ 222,804
Accounts Receivable	61,097	112,507	(51,410)
Prepaid Expense	299,875	38,637	261,238
Inventory	37,094	50,362	(13,268)
<b>Total Current Assets</b>	<u>1,653,030</u>	<u>1,233,666</u>	<u>419,364</u>
<b>Capital Assets, Net</b>	<u>14,444,107</u>	<u>15,538,857</u>	<u>(1,094,750)</u>
<b>Restricted Cash</b>	<u>683,468</u>	<u>364,910</u>	<u>318,558</u>
<b>Total Other Assets</b>	<u>683,468</u>	<u>364,910</u>	<u>318,558</u>
<b>Total Assets</b>	<u><b>\$ 16,780,605</b></u>	<u><b>\$ 17,137,433</b></u>	<u><b>\$ ( 356,828)</b></u>
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts Payable	\$ 120,664	\$ 98,542	\$ 22,122
Payable from restricted cash and cash equivalents:			
Tenant's security deposits	81,540	82,724	( 1,184)
Current Long-Term Debt	7,820	7,396	424
Unearned revenue	235,987	26,180	209,807
<b>Total Current Liabilities</b>	<u>446,011</u>	<u>214,842</u>	<u>231,169</u>
<u>Noncurrent Liabilities</u>			
Long-Term Debt	3,352,574	3,492,860	( 140,286)
Other noncurrent liabilities	215,890	131,525	84,365
<b>Total Noncurrent Liabilities</b>	<u>3,568,464</u>	<u>3,624,385</u>	<u>( 55,921)</u>
<b>Total Liabilities</b>	<u><b>\$ 4,014,475</b></u>	<u><b>\$ 3,839,227</b></u>	<u><b>\$ 175,248</b></u>
<b>Deferred Inflow of resources</b>	<u><b>\$ 297,986</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 297,986</b></u>
<u>Net Position</u>			
Unrestricted	\$ 1,353,004	\$ 1,231,636	\$ 121,368
Restricted	31,427	27,969	3,458
Net investment in capital assets	11,083,713	12,038,601	(954,888)
<b>Total Net Position</b>	<u><b>\$ 12,468,144</b></u>	<u><b>\$ 13,298,206</b></u>	<u><b>\$ (830,062)</b></u>

**Housing Authority of the City of Kokomo  
Kokomo, Indiana**

**Management's Discussion and Analysis**

**December 31, 2016**

(Continued)

**Significant Changes in the Statement of Net Position**

Cash and Cash Equivalents increased by \$222,804 due to the Net Gain (not including Depreciation (noncash) Expense), unearned revenues consisting of prepaid tenant rents and insurance proceeds, less outlays for Low Rent capital asset purchases.

Accounts Receivable for the Housing Authority decreased by \$51,410 mainly due to a lower receivable from HUD for grant payments and lower net tenants accounts.

Prepaid Expense increased by \$261,238 because of increased prepayments for insurance and the Energy Performance Contract loan.

Inventory decreased by \$13,268 due to purchasing items as needed instead of storing them in inventory.

Restricted cash increased by \$318,558. HCV Program HAP Equity increased due to HAP expense being less than what was received from HUD for HAP funding and fraud recovery receipts. Cash restricted for current liabilities, accrued wages payable, and Family Self-Sufficiency escrows increased. Restricted cash decreased for tenant security deposits and for the Low Income Homeownership account from the rehabilitation of several scattered sites.

Accounts Payable increased by \$22,122 and consists of a decrease in payroll related accruals, an increase in PILOT, and an increase of for other accounts payable.

Tenant Security Deposits decreased by \$1,184.

Unearned revenue increased by \$507,793. Tenant prepaid rent decreased. Due to January 1st being a holiday each year, many residents prepay their January rent. Due to a tornado that caused significant damage to our properties, the insurance company made a payment in advance of payments made to contractors for the repairs. In addition, HUD paid KHA the January 2017 Housing Choice Voucher HAP and Admin payments in December 2016.

The total decrease in long-term debt was \$139,862 for a 20 year loan to pay for energy conservation measures under a HUD-approved Energy Performance Contract and for a Superior Street Development Corporation loan to build a four-unit townhouse.

Other Noncurrent Liabilities increased by \$84,365 and included escrow accounts for those tenants who were enrolled in the five-year Family Self-Sufficiency program and for the non-current portion of accrued wage.

Unrestricted Net Position increased by \$121,368 due to increases in operating reserves in the Low Income Public Housing program, Business Activities, and the Section 8 Voucher program.

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2016

(Continued)

Significant Changes in the Statement of Net Position (continued)

Restricted Net Position increased by \$3,458. Funds from the scattered site sales program the LIPH Homeownership Program decreased due to rehabilitation of several scattered site houses. The Housing Choice Voucher HAP Equity increased due to HAP expense being less than what was received from HUD for HAP funding and from fraud recovery receipts.

**Changes in Net Position**

<u>OPERATING REVENUES</u>	FYE Dec. 31, 2016	FYE Dec. 31, 2015	Net Change
Rental income	\$ 995,151	\$ 1,024,137	\$ (28,986)
Other income	57,950	71,627	(13,677)
<b>TOTAL OPERATING REVENUE</b>	<u>1,053,101</u>	<u>1,095,764</u>	<u>(42,663)</u>
<u>OPERATING EXPENSES</u>			
Administrative	1,348,165	1,261,989	86,176
Tenant services	200,263	186,789	13,474
Utilities	614,357	645,721	(31,364)
Ordinary maintenance & operation	1,849,594	1,501,404	348,190
Protective services	11,848	13,852	(2,004)
Casualty loss - not capitalized	4,927	6,385	(1,458)
General expense	282,706	283,452	(746)
Housing assistance payments	3,102,701	2,864,814	237,887
Depreciation expense	1,151,239	1,144,131	7,108
<b>TOTAL OPERATING EXPENSES</b>	<u>8,565,800</u>	<u>7,908,537</u>	<u>657,263</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(7,512,699)</u>	<u>(6,812,773)</u>	<u>(699,926)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Federal grants	6,666,608	5,943,696	722,912
Interest expense	(21,094)	(21,916)	822
Interest income	2,642	1,296	1,346
<b>TOTAL NONOPERATING REVENUE</b>	<u>6,648,156</u>	<u>5,923,076</u>	<u>725,080</u>
CAPITAL CONTRIBUTIONS	<u>34,481</u>	<u>225,027</u>	<u>(190,546)</u>
<b>CHANGE IN NET POSITION</b>	<u>(830,062)</u>	<u>(664,670)</u>	<u>(165,392)</u>
TOTAL NET POSITION - BEGINNING OF YEAR	<u>13,298,206</u>	<u>13,962,876</u>	<u>(664,600)</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u><b>\$ 12,468,144</b></u>	<u><b>\$ 13,298,206</b></u>	<u><b>\$ (830,062)</b></u>

Rental income decreased by \$28,986. Other income decreased by \$13,677 from an increase in fraud recovery and decreases in laundry income, insurance dividends, miscellaneous income, and non-dwelling income.

Housing Authority of the City of Kokomo  
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2016

(Continued)

Significant Changes in the Statement of Net Position (continued)

Administrative salaries and benefits, staff training, legal expense, office expenses and other administrative expenses increased for a total increase of \$86,176.

Tenant services increased by \$13,474. Salary and benefit costs increased, and other tenant services decreased.

Utility expenses decreased by \$31,364. Water, electricity and gas costs decreased, and sewage costs increased. Other utilities expense increased and consists of Energy Performance Contract Measurement and Verification costs and interest expense for the Energy Performance Contract loan.

Ordinary maintenance and operations costs increased by \$348,190. Maintenance salaries and benefits decreased, and maintenance material and maintenance contract costs increased.

Protective Services costs decreased by \$2,004 including alarm monitoring, extinguisher services, and sprinkler testing and monitoring.

Casualty losses, consisting of deductibles and depreciation, decreased by \$1,458.

General expenses decreased by \$746 from an increase in insurance costs, in payment in lieu of taxes (PILOT), and miscellaneous general expenses with a decrease in tenant rent bad debt, and in compensated absences.

In the HVC program, leasing increased and the average Housing Assistance Payment increased resulting in an increase in Housing Assistance Payments of \$237,887.

Depreciation expense increased from the addition to capital assets of from Low Income Public Housing and Capital Fund purchases.

The increase in Federal grants of \$722,912 is a net result attributed to several programs. Low Rent's subsidy increased, and the Capital Fund grants received increased funding. The Section 8 Voucher subsidy, which is based on prior periods' payments made, also increased. A new Ross Family Service Coordinator grant was awarded in 2015 and that funding increased.

Low Rent Public Housing program, the Section 8 Voucher program, and the Business Activities earned more interest, while the Scattered Sites Homeownership program earned less.

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 2016, the Authority spent \$190,546 less than during 2015 on the projects that were undertaken.

**Housing Authority of the City of Kokomo  
Kokomo, Indiana**

**Management's Discussion and Analysis**  
**December 31, 2016**  
(Continued)

**Significant Changes in the Statement of Net Position (continued)**

**Financial Position and Results of Operations**

The Housing Authority's net position decreased in 2016 by \$830,062. The decrease to net position in FY 2015 was \$664,670. The decrease in net position is due to the fact that expenses exceeded revenues for the year. The total operating expenses and the non-operating income increased, while the operating revenue and the capital contributions decreased.

Overall there was a \$532,366 increase in total Federal Grants and Capital Contributions in 2016. The Low Income Public Housing Program had a \$74,335 (3.43%) increase, the Housing Choice Voucher Program a \$302,406 (9.50%) increase, the Capital Fund Grant Program a \$121,503 (15.43%) increase, and the ROSS Grant program a \$34,122 (113%) increase.

**Capital Assets**

Capital Assets are the largest asset reflected on the Authority's statement of net position. The following is a summary of capital assets owned by the Authority at December 31, 2016:

Land	\$ 1,123,125
Buildings	30,880,823
Furniture and equipment	2,121,358
Construction in Progress	<u>33,582</u>
Sub-total	34,158,888
Less: Accumulated Depreciation	<u>( 19,714,781)</u>
Capital Assets, net	<u>\$ 14,444,107</u>
Capital Assets at December 31, 2015	\$ 15,538,858
2016 Depreciation	( 1,151,239)
Low Rent Capital Outlays	40,449
Capital Fund Equipment Purchases	99,606
Capital Fund Repairs and Replacements	258,605
Decrease in Construction in Progress	(323,731)
Disposals, net of accumulated depreciation	<u>(18,441)</u>
Capital Assets at December 31, 2016	<u>\$ 14,444,107</u>

**Housing Authority of the City of Kokomo  
Kokomo, Indiana**

**Management's Discussion and Analysis**

**December 31, 2016**

(Continued)

**Budgetary Analysis**

The Authority adopts a consolidated annual operating budget for all programs. The budgets for Low Income Public Housing and the Section 8 Housing Choice Voucher program are adopted on the basis of accounting prescribed by the Housing and Urban Development, which differs in some respects from generally accepted accounting principles.

The Authority prepares a budget for each fiscal year of Capital Fund Grant Program that is approved. The Authority is permitted four years to expend these funds. Income is only recognized as funds are expended. For the purposes of this analysis, the amount budgeted for Capital Fund and Business Activities are equal to the actual expense.

**Housing Authority Budgetary Highlights**

Tenant Revenue	\$ 966,094	\$ 995,151	\$ 29,057
HUD Operating Grants	5,806,297	5,792,083	(14,214)
HUD Capital Grants	909,006	909,006	0
Investment Income	2,449	2,642	193
Other Revenue	53,992	57,950	3,958
<b>Total Revenue</b>	<b>7,737,838</b>	<b>7,756,832</b>	<b>18,994</b>
Administrative	1,346,230	1,348,165	1,935
Tenant Services	206,176	200,263	(5,913)
Utilities	662,895	614,357	(48,538)
Maintenance	1,870,057	1,861,442	(8,615)
Casualty Loss	(29,950)	4,927	34,877
Interest Expense	21,094	21,094	0
General Expense	277,085	282,706	5,621
Housing Assistance Payments	3,096,000	3,102,701	6,701
Depreciation Expense	1,169,471	1,151,239	(18,232)
<b>Total Expenses</b>	<b>8,619,058</b>	<b>8,586,894</b>	<b>(32,164)</b>
<b>Net Income/(Loss)</b>	<b>\$ (881,220)</b>	<b>\$ (830,062)</b>	<b>\$ 51,158</b>

**Debt**

During 2013, the Authority entered into an Energy Performance Contract (EPC) with Johnson Controls, Inc. to install energy conservation measures. The Authority entered into a twenty year \$3,370,392 loan agreement at a 4.55% interest rate with First Farmers Bank & Trust to fund the measures with payments that began in 2014. HUD has agreed to fund the loan payments by freezing the utility subsidy at pre-EPC rates. The amounts under Loan Payable-EPC total the balance of the loan agreement which is \$2,927,576 at December 31, 2016.

**Housing Authority of the City of Kokomo  
Kokomo, Indiana**

**Management's Discussion and Analysis**

**December 31, 2016**

(Continued)

**Debt** (continued)

Also during 2013, Superior Street Housing Development Corporation entered into a contract with Monroe Construction to develop a three-bedroom, four unit townhouse and entered into a thirty year \$450,000 loan agreement at a 4.75% interest rate with Community First Bank to fund the development. The loan payments are funded by rents received from the units. Interest and principal payments are made monthly, so no loan liability existed at FYE. The amount under Loan Payable-Construction of \$432,818 is the balance of the loan at December 31, 2016.

Other noncurrent liabilities consist of residents' Family Self-Sufficiency escrow deposits and accrued compensated absences. There are also current accounts payables of \$736,177 consisting of vendor accounts payable due and payable within the year, tenants' security deposits, and unearned revenues.

**Subsequent Events**

The Authority adopted, on December 19, 2016, an operating budget for FYE December 31, 2017, reflecting total operating revenues of \$7,424,544 and total operating expenses of \$7,309,492. KHA based the budget on the Low Rent program being funded at a 90.21% level - the same level published by HUD for FY 2016.

HUD has awarded KHA \$2,693,042 in HAP funding and \$279,493 in administrative fees for January through October of 2017. The final quarter will be adjusted monthly based on HAP payments during the year and the number of units leased as of the first of each month based on the Authority's VMS reporting.

For FY 2017, KHA received a Family Self-Sufficiency (FSS) grant for a full-time FSS Coordinator in the amount of \$45,000 which is divided between the Low Rent Program and the Housing Choice Voucher Program.

During 2017, KHA applied for and has been awarded an Indiana Youth Institute College and Career Grant of \$7,000 and a Duke Foundation Grant of \$3,000. Both will be used to help fund our youth programs.

KHA is beginning to investigate the possibility of implementing a Mixed Finance Modernization Program; this will involve the disposition of certain ACC units and property in addition to the development of other affordable housing rental units. KHA plans to start this process with the replacement of its scattered site, single-family units with multi-family units to be developed.

**Housing Authority of the City of Kokomo  
Kokomo, Indiana**

**Management's Discussion and Analysis**

**December 31, 2016**

(Continued)

**Subsequent Events** (continued)

During 2015, the Authority had pending litigation comprised of a civil suit based on a Civil Rights, Title VII, ADA, and FHA complaint by three Plaintiffs. The Authority's liability insurance carrier provided counsel and defense. The claims of two of the plaintiffs have been resolved. No portion of either settlement was satisfied by using federal funding. The Authority's insured provided the settlement proceeds.

A Motion for Summary Judgment has been filed on the remaining Plaintiff's litigation, which is based on Title VII, ADA, FMLA, and FHA. At the beginning of 2016, the Motion was not yet fully briefed. The Plaintiff's deadline for responding to the motion was August 31, 2016. The Authority filed a reply brief after receiving the Plaintiff's response. In March 2017, the United States District Court, Southern District of Indiana, Indianapolis Division granted our motion for summary judgment in its entirety, effectively dismissing all of the plaintiff's claims. The plaintiff then filed an appeal with the Seventh Circuit Court in April 2017. The Seventh Circuit Court entered an order setting the new briefing schedule. The plaintiff's brief is due on July 26, 2017; our brief will be due on August 25, 2017; and the plaintiff's reply brief will be due September 8, 2017. Oral argument will likely follow in late fall.

On August 24, 2016, tornadoes touched down in Kokomo causing extensive roof, window and tree damage at our Garden Square development. A few of our scattered sites had some minimal damage, and three vehicles were damaged. KHA's property and vehicle insurances will cover the cost of repair and replacement except for the deductibles. A good portion of the work has been completed, but repairs will continue into 2017.

**Request for Information**

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

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

**FINANCIAL STATEMENTS**

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

STATEMENT OF NET POSITION

DECEMBER 31, 2016

**ASSETS**

**Current Assets**

Cash	\$ 1,254,964
Accounts receivable, net	61,097
Prepaid expenses	299,875
Inventory, net	37,094
<b>Total Current Assets</b>	<b><u>1,653,030</u></b>

**Noncurrent Assets**

**Restricted assets**

Restricted cash and investments	<u>683,468</u>
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**Capital assets**

Land and other nondepreciable assets	1,156,707
Depreciable capital assets, net	<u>13,287,400</u>
<b>Total Capital Assets</b>	<b><u>14,444,107</u></b>

<b>Total Noncurrent Assets</b>	<b><u>15,127,575</u></b>
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<b>TOTAL ASSETS</b>	<b><u>16,780,605</u></b>
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**LIABILITIES**

**Current liabilities**

Accounts payable	202,204
Current portion of long term debt	7,820
Unearned revenue	<u>235,987</u>
<b>Total current liabilities</b>	<b><u>446,011</u></b>

**Noncurrent liabilities**

Other noncurrent liabilities	215,890
Long term debt	<u>3,352,574</u>
<b>Total Noncurrent liabilities</b>	<b><u>3,568,464</u></b>

<b>TOTAL LIABILITIES</b>	<b><u>4,014,475</u></b>
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**Deferred inflow or resources**

297,986

**NET POSITION**

Unrestricted	1,353,004
Restricted	31,427
Net investment in capital assets	<u>11,083,713</u>

<b>TOTAL NET POSITION</b>	<b><u>\$ 12,468,144</u></b>
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUES

Total rental income	\$	995,151
Other income		57,950
		1,053,101

**TOTAL OPERATING REVENUE**

OPERATING EXPENSES

Administrative		1,348,165
Tenant services		200,263
Utilities		614,357
Ordinary maintenance and operation		1,854,521
Protective services		11,848
General expense		282,706
Housing assistance payments		3,102,701
Depreciation expense		1,151,239
		8,565,800

**TOTAL OPERATING EXPENSES**

**OPERATING INCOME (LOSS) (7,512,699)**

NONOPERATING REVENUES (EXPENSES)

Federal operating grants		6,666,608
Interest expense		(21,094)
Interest income		2,642
		6,648,156

**TOTAL NONOPERATING REVENUES**

**INCOME (LOSS) BEFORE OTHER REVENUES (864,543)**

**CAPITAL CONTRIBUTIONS**

**34,481**

**INCREASE (DECREASE) IN NET POSITION**

**(830,062)**

**NET POSITION, BEGINNING OF YEAR**

**13,298,206**

**NET POSITION, END OF YEAR**

**\$ 12,468,144**

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, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from residents and other deposits	\$ 1,554,354
Other receipts (payments)	57,950
Payments to suppliers	(2,875,532)
Payments to/for employees	(2,011,740)
Payments to landlords	(3,102,701)

Net Cash Flows Provided (Used) by Operating Activities	(6,377,669)
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**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Federal operating grants received	6,666,608
Net Cash Flows Provided (Used) by Noncapital Financing Activities	6,666,608

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

Federal capital grants received	34,481
Principal borrowed on notes	292,883
Interest expense	(21,094)
Purchase of capital assets	(56,489)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	249,781

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	2,642
Net Cash Flows Provided by Investing Activities	2,642

Net change in cash	541,362
Cash - Beginning of year	1,397,070
Cash - End of year	\$ 1,938,432

**Reconciliation of Cash:**

Unrestricted	\$ 1,254,964
Restricted	683,468
Total Cash and Cash Equivalents	\$ 1,938,432

Continued

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES

<b>Operating income</b>	\$ (7,512,699)
Adjustments to reconcile net operating income (loss) to net cash Provided by operating activities:	
Depreciation	1,151,239
(Increase) Decrease in:	
Accounts receivable	51,410
Inventory and prepaid expenses	(247,970)
Increase (Decrease) in:	
Accounts payable	20,938
Accrued liabilities	(348,380)
Unearned revenue	507,793
	<hr/>
<b>Net Cash Flows Provided (Used)   by Operating Activities</b>	<b>\$ <u>(6,377,669)</u></b>

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, 2016

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

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

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

**Reporting Entity**

The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of the City of Kokomo, a primary government. Although they are legally separate from the Kokomo Housing Authority, the Superior Street Housing Development Corporation and Khatco, Inc are reported as if they were part of the primary government because their sole purpose is to work in conjunction with the Housing Authority to assist with providing housing, and they have the same governing board. The criteria for inclusion as a component unit includes manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Accordingly the Superior Street Housing Development Corporation's and Khatco, Inc.'s financial information have been included with the Kokomo Housing Authority. There are no other component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body. All financial records are available for review in the Housing Authority's office.

At December 31, 2016, the Housing Authority had 1,251 units in management and was administering other programs as listed below:

Management

Low-Income Public Housing	551
Section 8 Housing Choice Vouchers	<u>700</u>
TOTAL ALL MANAGEMENT PROGRAMS	<u>1,251</u>

Other Programs

Capital Fund Program  
Resident Opportunity and Supportive Services  
Business Activities:  
    Superior Street Housing Development Corp.  
    Non-Profit Training Company - Khatco, Inc.  
    Bond Refunding Construction Fund

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(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.

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

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

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

**Net Investment in Capital Assets** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Authority has debt for capital assets purchased through its Energy Performance Program.

**Restricted** - Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

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

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(Continued)

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

**Budgets** - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis.

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

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

State statutes authorize the Housing Authority to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by political subdivisions.

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(Continued)

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

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

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

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(Continued)

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

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

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

**1. HUD Deposit Restrictions**

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

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

Deposits, made in accordance with State statute (IC 5-13), with financial institutions in the State of Indiana should be covered to the extent not covered by insurance of any Federal deposit insurance agency.

**2. Risk Disclosures**

**A. Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed ten years at time of purchase. At December 31, 2016, the Authority's deposits and investments were not limited and all of which are either available on demand or have callable maturities of less than ten years.

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

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(Continued)

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

Deposits made in accordance with state statute (Indiana Code 5-13) with financial institutions in the State of Indiana should be covered to the extent not covered by insurance of any federal deposit insurance agency.

The carrying amounts of the Authority's cash deposits were \$1,938,433 at December 31, 2016. Bank balances before reconciling items were \$2,358,458, the total amount of which are either covered by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third party agents or by a collateralization agreement. Restricted cash includes tenant security deposits and family self-sufficiency escrow deposits.

Cash and Deposits at December 31, 2016, consist of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash/Checking accounts	\$ 1,530,977	\$ 1,950,810
Money Market/Savings/CDs	<u>407,456</u>	<u>407,648</u>
Total cash and deposits	<u>\$ 1,938,433</u>	<u>\$ 2,358,458</u>

**NOTE 3 - Accounts Receivable:**

Accounts receivables at December 31, 2016, consist of the following:

HUD	\$ 49,243
Notes Receivable, Net of Allowance of \$3,425	15,229
HCV Fraud Recovery Receivable	
Net of Allowance for Doubtful Accounts of \$44,221	0
Tenant Receivables	
Net of Allowance for Doubtful Accounts of \$17,490	(4,658)
Other	<u>1,283</u>
Total Accounts Receivable	<u>\$ 61,097</u>

**NOTE 4 - Prepaid Expenses:**

Prepaid expenses at December 31, 2016, consist of the following:

Prepaid Insurance	\$226,019
Prepaid Loan	<u>73,856</u>
Total Prepaid Expenses	<u>\$299,875</u>

**NOTE 5 - Inventory:**

Inventory at December 31, 2016, consists of the following:

Inventory, net of allowance of \$4,367	<u>\$ 37,094</u>
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HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2016  
(Continued)

**NOTE 6 - Mortgages:**

Mortgages receivable at December 31, 2016 consist of the following:

Silent Second Homeownership Mortgages	
Net of Allowance of \$6,425	<u>\$ 0</u>

**NOTE 7 - Capital Assets:**

A summary in changes in capital assets is as follows:

	Beginning Balance 12/31/15	Increases	Decreases	Transfers	Ending Balance 12/31/16
Capital assets, not being depreciated:					
Land	\$ 1,123,125	\$ 0	\$ 0	\$ 0	\$ 1,123,125
Construction in Progress	357,313	34,480	0	(358,211)	33,582
Total Capital Assets, Not being depreciated	1,480,438	34,480	0	(358,211)	1,156,707
Capital Assets, being depreciated:					
Buildings & Improvements	30,636,103	0	0	244,720	30,880,823
Furniture, Equipment & Machinery	2,011,970	40,449	( 44,552)	113,491	2,121,358
Total Capital Assets, being depreciated	32,648,072	40,449	( 44,552)	358,211	33,002,181
Less Accumulated Depreciation for:					
Buildings & Improvements	(17,085,713)	( 979,118)	0	0	(18,064,831)
Furniture, Equipment and Machinery	( 1,503,940)	( 172,121)	26,111	0	( 1,649,950)
Total Accumulated Depreciation:	(18,589,653)	(1,151,239)	26,111	0	(19,714,781)
Total Capital Assets, being depreciated, net	14,058,420	(1,110,790)	( 18,441)	358,211	13,287,400
Capital Assets, Net	\$15,538,858	\$(1,076,310)	\$ (18,441)	\$ 0	\$14,444,107

Depreciation expense for the year was: \$1,151,239

The following is a schedule of significant capital construction projects of the Authority with remaining commitment amounts as of December 31, 2016.

2015 CFP	Civic Center-Replace Hydraulic Cylinder-Small Elevator	\$ 67,400
2016 CFP	Garden Square-Install Rear Blow Down Valve-Boiler #2	1,650
2016 CFP	1813 Cricket Hill-Replace Bathroom Flooring	3,630
Total Open Contracts		\$ 72,680

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS  
December 31, 2016  
(Continued)

**NOTE 8 - Accounts Payable:**

Accounts payable at December 31, 2016, consist of the following:

Vendors' Accounts Payable	\$ 78,192
Tenant Security Deposits	81,540
Payment in Lieu of Taxes (PILOT)	32,063
	6,824
Accrued Wages/Payroll Taxes Payable	<u>3,585</u>
TOTAL	<u>\$ 202,204</u>

**NOTE 9 - Unearned Revenue:**

Unearned Revenue at December 31, 2016, consists of the following:

Tenant prepaid rents	\$ 20,151
Property insurance advance (tornado damages)	<u>215,836</u>
TOTAL	<u>\$ 235,987</u>

**NOTE 10 - Deferred Inflow of Resources:**

Deferred inflow of resources at December 31, 2016, consists of the following:

Prepaid HCV Program HUD Subsidy	<u>\$ 297,986</u>
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**NOTE 11 - Noncurrent Liabilities:**

During 2013, the Authority entered into an Energy Performance Contract (EPC) with Johnson Controls, Inc. to install energy conservation measures. The Authority entered into one year construction loan during 2013 which, in 2014, converted into a twenty year \$3,370,392 loan agreement at a 4.55% interest rate with First Farmers Bank & Trust to fund the measures with payments to begin in 2014. HUD has agreed to fund the loan payments by freezing the utility subsidy at pre-EPC rates. The amount under Loan Payable-EPC below totals the balance of the loan agreement which is \$2,927,576 at December 31, 2016.

Also during 2013, Superior Street Housing Development Corporation entered into a contract with Monroe Construction to develop a three-bedroom four unit townhouse and entered into a one year construction loan which converted to a thirty year \$450,000 loan agreement at a 4.75% interest rate with Community First Bank to fund the development. The loan payments will be funded by rents received from the units. Interest and principal payments are made monthly. The amount under Loan Payable-Construction of \$432,818 is the balance of the loan at December 31, 2016.

Beginning in 2012, the Authority began to accrue wages to pay for unused sick leave. The Authority will allow employees who voluntarily resign to cash out (subject to all usual withholdings) a maximum of thirty (30) days of accrued but unused sick leave if they meet all the required conditions.

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**  
(Continued)

**NOTE 11 - Noncurrent Liabilities:** (continued)

Noncurrent liabilities at December 31, 2016, consist of the following:

	<u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/16</u>	<u>Current Portion</u>	<u>Total</u>
Family Self-Sufficiency						
Escrow Deposits	\$ 97,305	\$ 92,160	\$ 16,515	\$ 172,950	\$ 0	\$ 172,950
Loan Payables-EPC	3,060,115	0	132,539	2,927,576	0	2,927,576
Loan Payables						
-Construction	440,141	0	15,143	424,998	7,820	432,818
Accrued Wages	<u>34,220</u>	<u>8,720</u>	<u>0</u>	<u>42,940</u>	<u>0</u>	<u>42,940</u>
	<u>\$3,631,781</u>	<u>\$100,880</u>	<u>\$ 164,197</u>	<u>\$3,568,464</u>	<u>\$ 7,820</u>	<u>\$3,576,284</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 7,710	\$ 20,706	\$ 28,416
2018	52,254	240,201	292,455
2019	140,942	151,513	292,455
2020	147,145	145,310	292,455
2021	154,429	138,026	292,455
2022-2026	887,272	575,002	1,462,274
2027-2031	1,115,469	346,805	1,462,274
2032-2036	676,067	94,809	770,876
2037-2041	111,128	30,952	142,080
2042-2044	<u>69,782</u>	<u>4,633</u>	<u>74,415</u>
Total	<u>\$3,362,198</u>	<u>\$1,747,957</u>	<u>\$5,110,155</u>

**NOTE 12 - Federal Operating Grants:**

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

Low Rent Public Housing	\$ 2,243,122
Housing Choice Vouchers	3,484,669
Capital Fund Grants	874,525
ROSS Grants	<u>64,292</u>
TOTAL	<u>\$ 6,666,608</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, 2016, were \$34,481.

Capital Fund	<u>\$ 34,481</u>
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HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(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, 2016, 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, 2016. 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, 2016. 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, 2016, the Authority had not yet spent a total of \$678,322 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 plan's name is the Employees Money Purchase Plan. Mass Mutual Financial Group administers the plan. 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, 2016, the Authority's required and actual contributions were \$125,091.

No pension plan provision changes occurred during the year that affected the required contributions to be made by the Authority. The Authority's 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, 2016.

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, 2016  
(Continued)

**NOTE 16 - Litigation:**

During 2015, the Authority had pending litigation comprised of a civil suit based on a Civil Rights, Title VII, ADA, and FHA complaint by three Plaintiffs. The Authority's liability insurance carrier provided counsel and defense. The claims of two of the plaintiffs have been resolved. No portion of either settlement was satisfied by using federal funding. The Authority's insured provided the settlement proceeds.

A Motion for Summary Judgment has been filed on the remaining Plaintiff's litigation, which is based on Title VII, ADA, FMLA, and FHA. At the beginning of 2016, the Motion was not yet fully briefed. The Plaintiff's deadline for responding to the motion was August 31, 2016. The Authority filed a reply brief after receiving the Plaintiff's response. In March 2017, the United States District Court, Southern District of Indiana, Indianapolis Division granted our motion for summary judgment in its entirety, effectively dismissing all of the plaintiff's claims. The plaintiff then filed an appeal with the Seventh Circuit Court in April 2017. The Seventh Circuit Court entered an order setting the new briefing schedule. The plaintiff's brief is due on July 26, 2017; our brief will be due on August 25, 2017; and the plaintiff's reply brief will be due September 8, 2017. Oral argument will likely follow in late fall.

**NOTE 17 - 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 18 - Economic Dependency:**

The Authority receives approximately 86% 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.

**NOTE 19 - Subsequent Events:**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Authority through July 12, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTAL FINANCIAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

COMBINING SCHEDULE OF PROGRAM NET POSITION  
DECEMBER 31, 2016

	Annual Contributions Contracts			
	C-941	C-2034	C-941	C-941
	Low Income Public Housing	Section 8 Housing Choice Voucher Program	Resident Opportunity & Supportive Services	Central Office Cost Center
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 268,683	\$ 423,240	\$ 0	\$ 550,422
Accounts receivable, net	54,267	384	0	6,446
Interprogram	0	0	0	43,696
Prepaid expenses	253,248	14,373	0	30,399
Inventory, net	0	0	0	37,094
<b>Total Current Assets</b>	<b>576,198</b>	<b>437,997</b>	<b>0</b>	<b>668,057</b>
<b>Noncurrent Assets</b>				
<b>Restricted assets</b>				
Restricted Cash and Investments	514,420	135,469	0	31,544
<b>Capital assets</b>				
Land and other nondepreciable assets	1,033,262	0	0	123,445
Depreciable capital assets, net	12,238,426	0	0	356,030
<b>Total Capital Assets</b>	<b>13,271,688</b>	<b>0</b>	<b>0</b>	<b>479,475</b>
<b>Total Noncurrent Assets</b>	<b>13,786,108</b>	<b>135,469</b>	<b>0</b>	<b>511,019</b>
<b>TOTAL ASSETS</b>	<b>14,362,306</b>	<b>573,466</b>	<b>0</b>	<b>1,179,076</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	194,573	95	0	5,501
Current portion of long term debt	0	0	0	0
Interprogram	43,696	0	0	0
Unearned revenue	235,982	0	0	0
<b>Total current liabilities</b>	<b>474,251</b>	<b>95</b>	<b>0</b>	<b>5,501</b>
<b>Noncurrent liabilities</b>				
Other noncurrent liabilities	78,529	111,318	0	26,043
Long term debt	2,927,576	0	0	0
<b>Total Noncurrent liabilities</b>	<b>3,006,105</b>	<b>111,318</b>	<b>0</b>	<b>26,043</b>
<b>TOTAL LIABILITIES</b>	<b>3,480,356</b>	<b>111,413</b>	<b>0</b>	<b>31,544</b>
<b>Deferred inflow or resources</b>	<b>0</b>	<b>297,986</b>	<b>0</b>	<b>0</b>
<b>NET POSITION</b>				
Unrestricted	532,502	140,011	0	668,057
Restricted	5,336	24,056	0	0
Net investment in capital assets	10,344,112	0	0	479,475
<b>TOTAL NET POSITION</b>	<b>\$ 10,881,950</b>	<b>\$ 164,067</b>	<b>\$ 0</b>	<b>\$ 1,147,532</b>

C-941

Capital Fund Program	Business Activities	Interfund Elimination	Total
\$ 0	\$ 12,619	\$ 0	\$ 1,254,964
0	0	0	61,097
0	0	(43,696)	0
0	1,855	0	299,875
0	0	0	37,094
<b>0</b>	<b>14,474</b>	<b>(43,696)</b>	<b>1,653,030</b>
0	2,035	0	683,468
0	0	0	1,156,707
0	692,944	0	13,287,400
<b>0</b>	<b>692,944</b>	<b>0</b>	<b>14,444,107</b>
<b>0</b>	<b>694,979</b>	<b>0</b>	<b>15,127,575</b>
<b>0</b>	<b>709,453</b>	<b>(43,696)</b>	<b>16,780,605</b>
0	2,035	0	202,204
0	7,820	0	7,820
0	0	(43,696)	0
0	5	0	235,987
<b>0</b>	<b>9,860</b>	<b>(43,696)</b>	<b>446,011</b>
0	0	0	215,890
0	424,998	0	3,352,574
<b>0</b>	<b>424,998</b>	<b>0</b>	<b>3,568,464</b>
<b>0</b>	<b>434,858</b>	<b>(43,696)</b>	<b>4,014,475</b>
0	0	0	297,986
0	12,434	0	1,353,004
0	2,035	0	31,427
0	260,126	0	11,083,713
<b>\$ 0</b>	<b>\$ 274,595</b>	<b>\$ 0</b>	<b>\$ 12,468,144</b>

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indianan

COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016

	C-941	Annual Cc C-2034
	Low Income Public Housing	Section 8 Housing Choice Voucher Program
<b><u>OPERATING REVENUES</u></b>		
Rental income	\$ 958,917	\$ 0
Other income	20,234	22,332
<b>TOTAL OPERATING REVENUE</b>	<b>979,151</b>	<b>22,332</b>
 <b><u>OPERATING EXPENSES</u></b>		
Administrative	1,045,653	306,993
Tenant services	114,283	24,031
Utilities	596,147	912
Ordinary maintenance and operation	1,822,183	9,929
Protective services	10,306	0
General expense	227,794	15,420
Housing assistance payments	0	3,102,701
Depreciation expense	1,107,600	0
<b>TOTAL OPERATING EXPENSES</b>	<b>4,923,966</b>	<b>3,459,986</b>
 <b>OPERATING INCOME (LOSS)</b>	<b>(3,944,815)</b>	<b>(3,437,654)</b>
 <b><u>NONOPERATING REVENUES (EXPENSES)</u></b>		
Federal operating grants	2,243,122	3,484,669
Interest expense	0	0
Interest income	1,306	296
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>2,244,428</b>	<b>3,484,965</b>
 <b>INCOME (LOSS) BEFORE OTHER REVENUES</b>	<b>(1,700,387)</b>	<b>47,311</b>
 <b>CAPITAL CONTRIBUTIONS</b>	<b>0</b>	<b>0</b>
 <b>INCREASE (DECREASE) IN NET POSITION</b>	<b>(1,700,387)</b>	<b>47,311</b>
 NET POSITION - BEGINNING OF YEAR, as originally stated	11,673,331	116,756
Equity transfers	909,006	0
NET POSITION - BEGINNING OF YEAR, as restated	<b>12,582,337</b>	<b>116,756</b>
 <b>NET POSITION, END OF YEAR</b>	<b>\$ 10,881,950</b>	<b>\$ 164,067</b>

Contributions Contracts

C-941	C-941	C-941			
Resident Opportunity & Supportive Services	Central Office Cost Center	Capital Fund Programs	Business Activities	Elimination	Total
\$ 0	\$ 0	\$ 0	\$ 36,234	\$ 0	\$ 995,151
0	647,475	0	0	(632,091)	57,950
<b>0</b>	<b>647,475</b>	<b>0</b>	<b>36,234</b>	<b>(632,091)</b>	<b>1,053,101</b>
2,343	625,220	0	47	(632,091)	1,348,165
61,949	0	0	0	0	200,263
0	17,287	0	11	0	614,357
0	21,289	0	1,120	0	1,854,521
0	1,542	0	0	0	11,848
0	37,398	0	2,094	0	282,706
0	0	0	0	0	3,102,701
0	24,168	0	19,471	0	1,151,239
<b>64,292</b>	<b>726,904</b>	<b>0</b>	<b>22,743</b>	<b>(632,091)</b>	<b>8,565,800</b>
<b>(64,292)</b>	<b>(79,429)</b>	<b>0</b>	<b>13,491</b>	<b>0</b>	<b>(7,512,699)</b>
64,292	0	874,525	0	0	6,666,608
0	0	0	0	0	0
0	0	0	(21,094)	0	(21,094)
0	1,026	0	14	0	2,642
<b>64,292</b>	<b>1,026</b>	<b>874,525</b>	<b>(21,080)</b>	<b>0</b>	<b>6,648,156</b>
<b>0</b>	<b>(78,403)</b>	<b>874,525</b>	<b>(7,589)</b>	<b>0</b>	<b>(864,543)</b>
<b>0</b>	<b>0</b>	<b>34,481</b>	<b>0</b>	<b>0</b>	<b>34,481</b>
<b>0</b>	<b>(78,403)</b>	<b>909,006</b>	<b>(7,589)</b>	<b>0</b>	<b>(830,062)</b>
0	1,225,930	0	282,189	0	13,298,206
0	5	(909,006)	(5)	0	0
0	1,225,935	(909,006)	282,184	0	13,298,206
<b>\$ 0</b>	<b>\$ 1,147,532</b>	<b>\$ 0</b>	<b>\$ 274,595</b>	<b>\$ 0</b>	<b>\$ 12,468,144</b>

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED  
DECEMBER 31, 2016

Annual Contributions Contract C-941

	<u>501-13</u>	<u>501-14</u>
1. The Capital Fund Grant Costs are as follows:		
Funds Approved	\$ 656,063	\$ 630,935
Funds Expended	<u>656,063</u>	<u>630,935</u>
Excess / (Deficiency) of Funds Approved	<u>\$ 0</u>	<u>\$ 0</u>
Funds Advanced	\$ 656,063	\$ 630,935
Funds Expended	<u>656,063</u>	<u>630,935</u>
Excess / (Deficiency) of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>

2. Costs additions totaling \$ 69,858 were made during the current audit period and, accordingly, were audited by Goldie Roberts, CPA.

3. The total amount of the Capital Fund Grant Costs at December 31, 2016, as shown above, are in agreement with the Actual Development Cost Certificate submitted to HUD and approved by HUD.

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

5. All liabilities have been paid and there are no undischarged liens against the Project on file in any public office where the same should be filed in order to be valid and the time in which such liens could be filed has expired.

6. There were no budget overruns.

Kokomo Housing Authority (IN007)

KOKOMO, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2016

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$268,683		\$423,240	\$12,619	\$550,422	\$1,254,964		\$1,254,964
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted	\$90,689		\$135,374		\$26,043	\$252,106		\$252,106
114 Cash - Tenant Security Deposits	\$79,540			\$2,000		\$81,540		\$81,540
115 Cash - Restricted for Payment of Current Liabilities	\$344,191		\$95	\$35	\$5,501	\$349,822		\$349,822
100 Total Cash	\$783,103	\$0	\$558,709	\$14,654	\$581,966	\$1,938,432	\$0	\$1,938,432
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects	\$43,696				\$5,547	\$49,243		\$49,243
124 Accounts Receivable - Other Government								
125 Accounts Receivable - Miscellaneous			\$384		\$899	\$1,283		\$1,283
126 Accounts Receivable - Tenants	\$10,362					\$10,362		\$10,362
126.1 Allowance for Doubtful Accounts - Tenants	-\$15,928					-\$15,928		-\$15,928
126.2 Allowance for Doubtful Accounts - Other	-\$9,850		\$0		\$0	-\$9,850		-\$9,850
127 Notes, Loans, & Mortgages Receivable - Current	\$18,654					\$18,654		\$18,654
128 Fraud Recovery	\$2,470		\$44,135			\$46,605		\$46,605
128.1 Allowance for Doubtful Accounts - Fraud	-\$1,562		-\$44,135			-\$45,697		-\$45,697
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$47,842	\$0	\$384	\$0	\$6,446	\$54,672	\$0	\$54,672
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	\$253,248		\$14,373	\$1,855	\$30,399	\$299,875		\$299,875
143 Inventories					\$41,461	\$41,461		\$41,461
143.1 Allowance for Obsolete Inventories					-\$4,367	-\$4,367		-\$4,367
144 Inter Program Due From					\$43,696	\$43,696	-\$43,696	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$1,084,193	\$0	\$573,466	\$16,509	\$699,601	\$2,373,769	-\$43,696	\$2,330,073
161 Land	\$999,680				\$123,445	\$1,123,125		\$1,123,125
162 Buildings	\$29,217,444			\$745,529	\$917,850	\$30,880,823		\$30,880,823
163 Furniture, Equipment & Machinery - Dwellings	\$1,096,058			\$5,827		\$1,101,885		\$1,101,885
164 Furniture, Equipment & Machinery - Administration	\$705,286		\$5,159		\$309,028	\$1,019,473		\$1,019,473
165 Leasehold Improvements								
166 Accumulated Depreciation	-\$18,780,362		-\$5,159	-\$58,412	-\$870,848	-\$19,714,781		-\$19,714,781
167 Construction in Progress	\$33,582					\$33,582		\$33,582
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$13,271,688	\$0	\$0	\$692,944	\$479,475	\$14,444,107	\$0	\$14,444,107

171 Notes, Loans and Mortgages Receivable - Non-Current	\$6,425					\$6,425		\$6,425
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								
173 Grants Receivable - Non Current								
174 Other Assets								
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$13,278,113	\$0	\$0	\$692,944	\$479,475	\$14,450,532	\$0	\$14,450,532
200 Deferred Outflow of Resources								
290 Total Assets and Deferred Outflow of Resources	\$14,362,306	\$0	\$573,466	\$709,453	\$1,179,076	\$16,824,301	-\$43,696	\$16,780,605
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$76,146		\$95	\$35	\$1,916	\$78,192		\$78,192
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable					\$3,585	\$3,585		\$3,585
322 Accrued Compensated Absences - Current Portion								
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects	\$6,824					\$6,824		\$6,824
333 Accounts Payable - Other Government	\$32,063					\$32,063		\$32,063
341 Tenant Security Deposits	\$79,540			\$2,000		\$81,540		\$81,540
342 Unearned Revenue	\$235,982		\$0	\$5		\$235,987		\$235,987
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$7,820		\$7,820		\$7,820
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities								
346 Accrued Liabilities - Other								
347 Inter Program - Due To	\$43,696					\$43,696	-\$43,696	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$474,251	\$0	\$95	\$9,860	\$5,501	\$489,707	-\$43,696	\$446,011
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$2,927,576			\$424,998		\$3,352,574		\$3,352,574
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other	\$68,671		\$104,279			\$172,950		\$172,950
354 Accrued Compensated Absences - Non Current	\$9,858		\$7,039		\$26,043	\$42,940		\$42,940
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities								
350 Total Non-Current Liabilities	\$3,006,105	\$0	\$111,318	\$424,998	\$26,043	\$3,568,464	\$0	\$3,568,464
300 Total Liabilities	\$3,480,356	\$0	\$111,413	\$434,858	\$31,544	\$4,058,171	-\$43,696	\$4,014,475
400 Deferred Inflow of Resources			\$297,986			\$297,986		\$297,986
508.4 Net Investment in Capital Assets	\$10,344,112	\$0	\$0	\$260,126	\$479,475	\$11,083,713		\$11,083,713
511.4 Restricted Net Position	\$5,336	\$0	\$24,056	\$2,035	\$0	\$31,427		\$31,427
512.4 Unrestricted Net Position	\$532,502	\$0	\$140,011	\$12,434	\$668,057	\$1,353,004		\$1,353,004
513 Total Equity - Net Assets / Position	\$10,881,950	\$0	\$164,067	\$274,595	\$1,147,532	\$12,468,144	\$0	\$12,468,144
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$14,362,306	\$0	\$573,466	\$709,453	\$1,179,076	\$16,824,301	-\$43,696	\$16,780,605

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

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2016

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$894,508			\$36,225		\$930,733		\$930,733
70400 Tenant Revenue - Other	\$64,409			\$9		\$64,418		\$64,418
70500 Total Tenant Revenue	\$958,917	\$0	\$0	\$36,234	\$0	\$995,151	\$0	\$995,151
70600 HUD PHA Operating Grants	\$3,117,647	\$64,292	\$3,484,669			\$6,666,608		\$6,666,608
70610 Capital Grants	\$34,481					\$34,481		\$34,481
70710 Management Fee					\$460,183	\$460,183	-\$460,183	\$0
70720 Asset Management Fee					\$66,000	\$66,000	-\$66,000	\$0
70730 Book Keeping Fee					\$105,908	\$105,908	-\$105,908	\$0
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue					\$632,091	\$632,091	-\$632,091	\$0
70800 Other Government Grants								
71100 Investment Income - Unrestricted	\$1,306		\$296	\$14	\$1,026	\$2,642		\$2,642
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery			\$17,598			\$17,598		\$17,598
71500 Other Revenue	\$20,234		\$4,734		\$15,384	\$40,352		\$40,352
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted								
70000 Total Revenue	\$4,132,585	\$64,292	\$3,507,297	\$36,248	\$648,501	\$8,388,923	-\$632,091	\$7,756,832
91100 Administrative Salaries	\$322,317		\$146,543		\$439,020	\$907,880		\$907,880
91200 Auditing Fees	\$6,852		\$2,905			\$9,757		\$9,757
91300 Management Fee	\$430,183		\$30,000			\$460,183	-\$460,183	\$0
91310 Book-keeping Fee	\$47,288		\$58,620			\$105,908	-\$105,908	\$0
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative	\$102,769		\$39,954		\$140,596	\$283,319		\$283,319
91600 Office Expenses	\$44,204		\$19,583		\$30,334	\$94,121		\$94,121
91700 Legal Expense	-\$479				\$4,582	\$4,103		\$4,103
91800 Travel	\$714				\$20	\$734		\$734
91810 Allocated Overhead								
91900 Other	\$25,805	\$2,343	\$9,388	\$47	\$10,668	\$48,251		\$48,251
91000 Total Operating - Administrative	\$979,653	\$2,343	\$306,993	\$47	\$625,220	\$1,914,256	-\$566,091	\$1,348,165
92000 Asset Management Fee	\$66,000					\$66,000	-\$66,000	\$0
92100 Tenant Services - Salaries	\$86,363	\$50,680	\$21,190			\$158,233		\$158,233
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services	\$13,750	\$8,343	\$2,841			\$24,934		\$24,934
92400 Tenant Services - Other	\$14,170	\$2,926				\$17,096		\$17,096
92500 Total Tenant Services	\$114,283	\$61,949	\$24,031	\$0	\$0	\$200,263	\$0	\$200,263

93100 Water	\$62,260		\$110		\$731	\$63,101		\$63,101
93200 Electricity	\$222,951		\$364	\$11	\$12,073	\$235,399		\$235,399
93300 Gas	\$88,955		\$343		\$3,911	\$93,209		\$93,209
93400 Fuel								
93500 Labor								
93600 Sewer	\$80,622		\$95		\$572	\$81,289		\$81,289
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense	\$141,359					\$141,359		\$141,359
93000 Total Utilities	\$596,147	\$0	\$912	\$11	\$17,287	\$614,357	\$0	\$614,357
94100 Ordinary Maintenance and Operations - Labor	\$495,792		\$489		\$1,336	\$497,617		\$497,617
94200 Ordinary Maintenance and Operations - Materials and Other	\$436,330		\$892	\$478	\$6,743	\$444,443		\$444,443
94300 Ordinary Maintenance and Operations Contracts	\$745,516		\$8,511	\$642	\$13,108	\$767,777		\$767,777
94500 Employee Benefit Contributions - Ordinary Maintenance	\$139,618		\$37		\$102	\$139,757		\$139,757
94000 Total Maintenance	\$1,817,256	\$0	\$9,929	\$1,120	\$21,289	\$1,849,594	\$0	\$1,849,594
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs	\$10,306				\$1,542	\$11,848		\$11,848
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$10,306	\$0	\$0	\$0	\$1,542	\$11,848	\$0	\$11,848
96110 Property Insurance	\$95,282		\$2,071	\$1,078	\$2,100	\$100,531		\$100,531
96120 Liability Insurance	\$21,286		\$3,756	\$1,016	\$6,261	\$32,319		\$32,319
96130 Workmen's Compensation	\$37,528		\$5,792		\$12,802	\$56,122		\$56,122
96140 All Other Insurance	\$10,429		\$791		\$3,352	\$14,572		\$14,572
96100 Total insurance Premiums	\$164,525	\$0	\$12,410	\$2,094	\$24,515	\$203,544	\$0	\$203,544
96200 Other General Expenses	\$8,909		\$2,494		\$5,187	\$16,590		\$16,590
96210 Compensated Absences	\$509		\$516		\$7,696	\$8,721		\$8,721
96300 Payments in Lieu of Taxes	\$32,063					\$32,063		\$32,063
96400 Bad debt - Tenant Rents	\$21,788					\$21,788		\$21,788
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	\$63,269	\$0	\$3,010	\$0	\$12,883	\$79,162	\$0	\$79,162
96710 Interest of Mortgage (or Bonds) Payable				\$21,094		\$21,094		\$21,094
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$21,094	\$0	\$21,094	\$0	\$21,094
96900 Total Operating Expenses	\$3,811,439	\$64,292	\$357,285	\$24,366	\$702,736	\$4,960,118	-\$632,091	\$4,328,027
97000 Excess of Operating Revenue over Operating Expenses	\$321,146	\$0	\$3,150,012	\$11,882	-\$54,235	\$3,428,805	\$0	\$3,428,805
97100 Extraordinary Maintenance								
97200 Casually Losses - Non-capitalized	\$4,927					\$4,927		\$4,927
97300 Housing Assistance Payments			\$3,098,830			\$3,098,830		\$3,098,830
97350 HAP Portability-In			\$3,871			\$3,871		\$3,871
97400 Depreciation Expense	\$1,107,600			\$19,471	\$24,168	\$1,151,239		\$1,151,239

97500	Fraud Losses								
97600	Capital Outlays - Governmental Funds								
97700	Debt Principal Payment - Governmental Funds								
97800	Dwelling Units Rent Expense								
90000	Total Expenses	\$4,923,966	\$64,292	\$3,459,986	\$43,837	\$726,904	\$9,218,985	-\$632,091	\$8,586,894
10010	Operating Transfer In	\$143,441					\$143,441		\$143,441
10020	Operating transfer Out	-\$143,441					-\$143,441		-\$143,441
10030	Operating Transfers from/to Primary Government								
10040	Operating Transfers from/to Component Unit								
10050	Proceeds from Notes, Loans and Bonds								
10060	Proceeds from Property Sales								
10070	Extraordinary Items, Net Gain/Loss								
10080	Special Items (Net Gain/Loss)								
10091	Inter Project Excess Cash Transfer In								
10092	Inter Project Excess Cash Transfer Out								
10093	Transfers between Program and Project - In								
10094	Transfers between Project and Program - Out								
10100	Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$791,381	\$0	\$47,311	-\$7,589	-\$78,403	-\$830,062	\$0	-\$830,062
11020	Required Annual Debt Principal Payments	\$120,249	\$0	\$0	\$7,820	\$0	\$128,069		\$128,069
11030	Beginning Equity	\$11,673,331	\$0	\$116,756	\$282,189	\$1,225,930	\$13,298,206		\$13,298,206
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0			-\$5	\$5	\$0		\$0
11050	Changes in Compensated Absence Balance								
11060	Changes in Contingent Liability Balance								
11070	Changes in Unrecognized Pension Transition Liability								
11080	Changes in Special Term/Severance Benefits Liability								
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100	Changes in Allowance for Doubtful Accounts - Other								
11170	Administrative Fee Equity			\$140,011			\$140,011		\$140,011
11180	Housing Assistance Payments Equity			\$24,056			\$24,056		\$24,056
11190	Unit Months Available	6528		8385	48		14961		14961
11210	Number of Unit Months Leased	6233		7926	48		14207		14207
11270	Excess Cash	\$9,568					\$9,568		\$9,568
11610	Land Purchases	\$0				\$0	\$0		\$0
11620	Building Purchases	\$0				\$0	\$0		\$0
11630	Furniture & Equipment - Dwelling Purchases	\$34,480				\$0	\$34,480		\$34,480
11640	Furniture & Equipment - Administrative Purchases	\$40,449				\$0	\$40,449		\$40,449
11650	Leasehold Improvements Purchases	\$0				\$0	\$0		\$0
11660	Infrastructure Purchases	\$0				\$0	\$0		\$0
13510	CFFP Debt Service Payments	\$0				\$0	\$0		\$0
13901	Replacement Housing Factor Funds	\$0				\$0	\$0		\$0

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE A - Financial Data Schedule:**

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

**HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

ANNUAL CONTRIBUTION CONTRACT	PROGRAM AND ASSISTANCE TYPE	CFDA NUMBER	BUDGET	EXPENDITURES
<b><u>U. S. DEPARTMENT OF HUD</u></b>				
C-941	Public and Indiana Housing	14.850	\$ 2,243,122	\$ 2,243,122
C-941	Resident Opportunity and Supportive Services - Service Coordinators	14.870	246,000	64,292
C-2034	Housing Voucher Cluster Section 8 Housing Choice Vouchers	14.871	3,484,669	3,484,669
C-941	Public Housing Capital Fund	14.872	<u>2,817,465</u>	<u>909,006</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b><u>\$ 8,791,256</u></b>	<b><u>\$ 6,701,089</u></b>

**Note 1 Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Housing Authority of the City of Kokomo under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Housing Authority of the City of Kokomo, it is not intended to and does not present the financial position, changes in net position or cash flow of Housing Authority of the City of Kokomo.

**Note 2 Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting as described in Note A. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Housing Authority of the City of Kokomo has elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

OTHER REPORTS

# Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

**Report On Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based On An Audit Of Financial Statements Performed In  
Accordance With Government Auditing Standards**

Independent Auditor's Report

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Kokomo, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Kokomo's basic financial statements and have issued my report thereon dated August 11, 2017.

## **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Kokomo's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose Of This Report**

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

*Goldie Roberts*

Certified Public Accountant

Fredericksburg, Indiana  
August 11, 2017

# Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.  
Fredericksburg, IN 47120

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

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on Compliance for Each Major Federal Program**

I have audited the Housing Authority of the City of Kokomo's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Kokomo's major federal programs for the year ended December 31, 2016. The Housing Authority of the City of Kokomo's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance with each of the Housing Authority of the City of Kokomo's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 we considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Housing Authority of the City of Kokomo's compliance.

#### ***Opinion on Each Major Federal Program***

In my opinion, the Housing Authority of the City of Kokomo, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

### **Report on Internal Control Over Compliance**

Management of the Housing Authority of the City of Kokomo is responsible for establishing and maintaining effective internal control over the type of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing

Authority of the City of Kokomo's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Kokomo's internal control over compliance.

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

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

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

*Goldie Roberts*

Certified Public Accountant

Fredericksburg, Indiana  
August 11, 2017

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

DECEMBER 31, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

~ Material weakness(es) identified?

\_\_\_\_\_yes    X no

~ Significant deficiency(s) identified?

\_\_\_\_\_yes    X none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_yes    X no

FEDERAL AWARDS

Internal control over major federal programs:

~ Material weakness(es) identified?

\_\_\_\_\_yes    X no

~ Significant deficiency(s) identified that are not considered to be material weakness(es)?

\_\_\_\_\_yes    X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_yes    X no

Identification of major federal programs:

CFDA Number

Name of Federal Program

14.871

Section 8 Housing Choice Vouchers

14.872

Public Housing Capital Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X yes    \_\_\_\_\_no

HOUSING AUTHORITY OF THE CITY OF KOKOMO  
Kokomo, Indiana

DECEMBER 31, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

PRIOR AUDIT FINDINGS

There were no Prior Year matters reported.

CURRENT YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.