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September 11, 2018

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

We have reviewed the audit report opined on by Goldie Roberts, CPA, Independent Public Accountant, for the period January 1, 2017 to December 31, 2017. 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, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts.

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, 2017

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120
812-472-3527

HOUSING AUTHORITY
OF THE
CITY OF KOKOMO

Kokomo, Indiana
DECEMBER 31, 2017

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Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.
Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the City of Kokomo ("the Authority") which comprise the Statement of Net Position as of December 31, 2017, 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, 2017, 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 14, 2018, on my consideration of the Housing Authority of the City of Kokomo's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Kokomo's internal control over financial reporting and compliance.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
August 14, 2018

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis
December 31, 2017

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, 2017. 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, 2017, were \$15,196,084. Total liabilities and deferred inflow of resources were \$3,658,029. Total assets exceeded liabilities by \$11,538,055 (net position). The Housing Authority's net position decreased by \$930,089 during the year ended December 31, 2017.

Total revenues for the year ended December 31, 2017, were \$7,492,068. Total expenditures for the year ended December 31, 2017, were \$8,422,157. Expenditures exceeded revenues by \$930,089 for the year.

During 2017, the following federal grants were closed: Capital Fund IN36P00750115 of \$640,720 and ROSS Grant IN007FSH212A016 of \$45,000. KHA also received and completed a SCAN Grant of \$22,239.

As of December 31, 2017, the Authority's net investment in capital assets was \$13,434,047 (net of accumulated depreciation). This investment includes land, buildings, improvements, and equipment. Capital outlays for the year were \$137,999.

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, 2017

(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, 2017.

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, 2017. 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, 2017, and the expenses incurred in operating the Housing Authority for the year ended December 31, 2017. The Statement of Cash Flows details the inflows and outflows of cash for the year ended December 31, 2017.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2017

(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, 2017

<u>ASSETS</u>	FYE Dec. 31, 2017	FYE Dec. 31, 2016	Net Change
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 738,332	\$ 1,254,964	\$ (516,632)
Accounts Receivable	408,358	61,097	347,261
Prepaid Expense	139,302	299,875	(160,573)
Inventory	54,948	37,094	17,854
Total Current Assets	<u>1,340,940</u>	<u>1,653,030</u>	<u>(312,090)</u>
Capital Assets, Net	<u>13,434,047</u>	<u>14,444,107</u>	<u>(1,010,060)</u>
Restricted Cash	<u>421,097</u>	<u>683,468</u>	<u>(262,371)</u>
Total Other Assets	<u>421,097</u>	<u>683,468</u>	<u>(262,371)</u>
Total Assets	<u>\$ 15,196,084</u>	<u>\$ 16,780,605</u>	<u>\$ (1,584,521)</u>
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts Payable	\$ 134,676	\$ 120,664	\$ 14,012
Payable from restricted cash and cash equivalents:			
Tenant's security deposits	79,669	81,540	(1,871)
Current Long-Term Debt	8,113	7,820	293
Unearned revenue	10,675	235,987	(225,312)
Total Current Liabilities	<u>233,133</u>	<u>446,011</u>	<u>(212,878)</u>
<u>Noncurrent Liabilities</u>			
Long-Term Debt	3,225,653	3,352,574	(126,921)
Other noncurrent liabilities	199,243	215,890	(16,647)
Total Noncurrent Liabilities	<u>3,424,896</u>	<u>3,568,464</u>	<u>(143,568)</u>
Total Liabilities	<u>\$ 3,658,029</u>	<u>\$ 4,014,475</u>	<u>\$ (356,446)</u>
Deferred Inflow of resources	<u>\$ 0</u>	<u>\$ 297,986</u>	<u>\$ (297,986)</u>
<u>Net Position</u>			
Unrestricted	\$ 1,326,059	\$ 1,353,004	\$ (26,945)
Restricted	11,715	31,427	(19,712)
Net investment in capital assets	10,200,281	11,083,713	(883,432)
Total Net Position	<u>\$ 11,538,055</u>	<u>\$ 12,468,144</u>	<u>\$ (930,089)</u>

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2017

(Continued)

Significant Changes in the Statement of Net Position

Cash and Cash Equivalents decreased by \$516,632 due to the Net Loss (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 increased by \$347,261 mainly due to an insurance receivable of \$351,639, lower receivable from HUD for grant payments and lower net tenants accounts.

Prepaid Expense decreased by \$160,573 because of a decrease of \$161,733 for insurance prepayments and an increase of \$1,160 for the Energy Performance Contract loan prepayment.

Inventory increased by \$17,854 due to increased year end purchasing.

Restricted cash decreased by \$262,371. Cash restricted for HAP restricted net position, current liabilities, tenant security deposits, and Family Self-Sufficiency escrows decreased. Restricted cash increased for accrued wages payable.

Accounts Payable increased by \$14,012 and consists of an increase in payroll related accruals and December HAP expense paid in January and decreases in PILOT and other accounts payable.

Tenant Security Deposits decreased by \$1,871.

Unearned revenue decreased by \$225,312. 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 2016. In 2017, those expenses were paid causing unearned revenue to decrease substantially. In addition, HUD paid KHA the January 2017 Housing Choice Voucher HAP and Admin payments in December 2016 but there were no prepayments in 2017.

The total decrease in long-term debt was \$126,628 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 decreased by \$16,647 and included a decrease in escrow accounts for those tenants who were enrolled in the five-year Family Self-Sufficiency program and an increase for the non-current portion of accrued wage.

Unrestricted Net Position decreased by \$26,945 due to decreases 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, 2017

(Continued)

Significant Changes in the Statement of Net Position (continued)

Restricted Net Position decreased by \$19,712. Funds from the scattered site sales program the LIPH Homeownership Program increased due to a payoff of a silent second mortgage. The Housing Choice Voucher HAP Equity decreased due to HAP expense being higher than what was received from HUD for HAP funding and from fraud recovery receipts. KHATCO increased due to funds restricted for tenant youth activities.

Changes in Net Position

<u>OPERATING REVENUES</u>	FYE Dec. 31, 2017	FYE Dec. 31, 2016	Net Change
Rental income	\$ 1,042,076	\$ 995,151	\$ 46,925
Other income	63,430	57,950	5,480
TOTAL OPERATING REVENUE	<u>1,105,506</u>	<u>1,053,101</u>	<u>52,405</u>
<u>OPERATING EXPENSES</u>			
Administrative	1,328,394	1,348,165	(19,771)
Tenant services	232,647	200,263	32,384
Utilities	729,083	614,357	114,726
Ordinary maintenance & operation	1,326,051	1,849,594	(523,543)
Protective services	15,001	11,848	3,153
Casualty loss - not capitalized	1,307	4,927	(3,620)
General expense	349,438	282,706	66,732
Housing assistance payments	3,271,503	3,102,701	168,802
Depreciation expense	1,148,059	1,151,239	(3,180)
TOTAL OPERATING EXPENSES	<u>8,401,483</u>	<u>8,565,800</u>	<u>(164,317)</u>
OPERATING INCOME (LOSS)	<u>(7,295,977)</u>	<u>(7,512,699)</u>	<u>216,722</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Federal grants	6,245,438	6,666,608	(421,170)
Interest expense	(20,674)	(21,094)	420
Interest income	5,360	2,642	2,718
TOTAL NONOPERATING REVENUE	<u>6,230,124</u>	<u>6,648,156</u>	<u>(418,032)</u>
CAPITAL CONTRIBUTIONS	<u>135,764</u>	<u>34,481</u>	<u>101,283</u>
CHANGE IN NET POSITION	<u>(930,089)</u>	<u>(830,062)</u>	<u>(100,027)</u>
TOTAL NET POSITION - BEGINNING OF YEAR	<u>12,468,144</u>	<u>13,298,206</u>	<u>(830,062)</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 11,538,055</u>	<u>\$ 12,468,144</u>	<u>\$ (930,089)</u>

Rental income increased by \$46,925. Other income increased by \$5,480 from increases in fraud recovery, laundry income, portable admin fees, and non-dwelling income and a decrease in miscellaneous income.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2017

(Continued)

Significant Changes in the Statement of Net Position (continued)

Administrative salaries and benefits, staff training, travel, and office expenses decreased while audit fees, legal fees and other administrative expenses increased for a total decrease of \$19,771.

Tenant services increased by \$32,384. Salary and benefit costs and other tenant services all increased.

Utility expenses increased by \$114,726. Water, electricity, gas, and sewage costs increased by \$61,458. Other utilities expense increased by \$53,268 and consists of Energy Performance Contract Measurement and Verification costs and interest expense for the Energy Performance Contract loan.

Ordinary maintenance and operations costs decreased by \$523,543. Maintenance salaries and benefits remained level, and maintenance materials and maintenance contract costs decreased especially for Capital Fund projects.

Protective Services costs increased by \$3,153 including alarm monitoring, extinguisher services, sprinkler testing and monitoring, and updating the elevator phone system.

Casualty losses, consisting of deductibles and depreciation, decreased by \$3,620.

General expenses increased by \$66,732 from an increase in insurance costs, compensated absences, and tenant rent bad debt with a decrease in payment in lieu of taxes (PILOT), and miscellaneous expenses.

In the HVC program, leasing increased and the average Housing Assistance Payment increased resulting in an increase in Housing Assistance Payments of \$168,802.

Depreciation expense decreased due to many capital assets being fully depreciated in the previous year.

The decrease in Federal grants of \$421,170 is a net result attributed to several programs. Low Rent's subsidy and the Capital Fund grants received decreased funding. The Section 8 Voucher subsidy and the ROSS Family Service Coordinator grant increased. An Emergency Safety and Security Grant of \$222,810 was awarded and spent during 2016, but there was no Grant awarded in 2107.

Low Rent Public Housing program and Business Activities earned more interest, while the Section 8 Voucher program earned slightly 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 2017, the Authority spent \$101,283 more than during 2016 on the projects that were undertaken.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2017

(Continued)

Significant Changes in the Statement of Net Position (continued)

Financial Position and Results of Operations

The Housing Authority's net position decreased in 2017 by \$930,089. The decrease to net position in FY 2016 was \$830,062. 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 decreased, while the operating revenue and the capital contributions increased.

Overall there was a \$319,887 decrease in total Federal Grants and Capital Contributions in 2017. The Low Income Public Housing Program had a \$110,216 (4.96%) decrease, the Housing Choice Voucher Program a \$94,753 (2.72%) increase, the Capital Fund Grant Program a \$317,464 (34.92%) decrease, and the ROSS Grant program a \$13,040 (15.02%) 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, 2017:

Land	\$ 1,123,125
Buildings	30,972,027
Furniture and equipment	2,146,478
Construction in Progress	55,256
Sub-total	<u>34,296,886</u>
Less: Accumulated Depreciation	<u>(20,862,839)</u>
Capital Assets, net	<u>\$ 13,434,047</u>
Capital Assets at December 31, 2016	\$ 14,444,107
2017 Depreciation	(1,148,059)
Low Rent Capital Outlays	2,235
Capital Fund Equipment Purchases	46,690
Capital Fund Repairs and Replacements	67,400
Increase in Construction in Progress	21,674
Disposals, net of accumulated depreciation	0
Capital Assets at December 31, 2017	<u>\$ 13,434,047</u>

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2017

(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

	Budget	Actual	Variance
Tenant Revenue	\$ 1,039,239	\$ 1,042,076	\$ 2,837
HUD Operating Grants	5,757,659	5,789,659	32,000
HUD Capital Grants	591,543	591,543	0
Investment Income	5,066	5,360	294
Other Revenue	52,104	63,430	11,326
Total Revenue	7,445,611	7,492,068	46,457
Administrative	1,527,597	1,328,394	(199,203)
Tenant Services	265,722	232,647	(33,075)
Utilities	690,837	729,083	38,246
Maintenance	1,350,097	1,341,052	(9,045)
Casualty Loss	1,308	1,307	(1)
Interest Expense	20,674	20,674	0
General Expense	353,746	349,438	(4,308)
Housing Assistance Payments	3,244,000	3,271,503	27,503
Depreciation Expense	1,148,059	1,148,059	-
Total Expenses	8,602,040	8,422,157	(179,883)
Net Income/(Loss)	\$ (1,156,429)	\$ (930,089)	\$ 226,340

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 \$2,808,690 at December 31, 2017.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2017

(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 \$425,076 is the balance of the loan at December 31, 2017.

Other noncurrent liabilities consist of residents' Family Self-Sufficiency escrow deposits and accrued compensated absences. There are also current accounts payables of \$225,020 consisting of vendor accounts payable due and payable within the year, tenants' security deposits, and unearned revenues.

Subsequent Events

The Authority adopted, on December 18, 2017, an operating budget for FYE December 31, 2018, reflecting total operating revenues of \$7,474,074 and total operating expenses of \$7,434,522. KHA based the budget on the Low Rent program being funded at a 91.92% level - the same level published by HUD for FY 2017.

HUD has awarded KHA \$2,946,477 in HAP funding and \$283,181 in administrative fees for January through October of 2018. 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 2018, KHA received a Family Self-Sufficiency (FSS) grant for a full-time FSS Coordinator in the amount of \$45,633 which is divided between the Low Rent Program and the Housing Choice Voucher Program.

During 2018, KHA applied for and has been awarded Community Foundation Grant of \$2,750 and a Duke Foundation Grant of \$1,850. Both will be used through KHATCO to help fund our youth programs.

KHA has been approved to implement 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.

The Kokomo Housing Authority has submitted a Letter of Interest in and an application to the Rental Assistance Demonstration Program (RAD).

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2017

(Continued)

Subsequent Events (continued)

Upon approval, the Kokomo Housing Authority will be converting to Project Based Vouchers (PBV) under the guidelines of the PIH Notice 2012-32, REV-1 and any successor Notices. Upon conversion to PBV, the Authority will adopt the resident rights, participation, waiting list and grievance procedures listed in Section 1.6 C & 1.6 D for PBV of PIH Notice 2012-32, REV-1.

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 was due on July 26, 2017; our brief was due on August 25, 2017; and the plaintiff's reply brief was due September 8, 2017. We filed an amended brief on November 29, 2017, and the plaintiff's reply brief was due by December 6, 2017. Oral argument was held on January 18, 2018, and the Seventh Circuit Court took the case under advisement. No opinion has been issued.

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 and depreciation. The work was completed during 2017, but the insurance company has not made the final payment.

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, 2017

ASSETS

Current Assets

Cash	\$ 796,776
Accounts receivable, net	411,783
Prepaid expenses	139,302
Inventory, net	54,948
Total Current Assets	<u>1,402,809</u>

Noncurrent Assets

Restricted assets

Restricted cash and investments	362,653
Notes and Mortgages receivable	<u>(3,425)</u>

Capital assets

Land and other nondepreciable assets	1,178,381
Depreciable capital assets, net	<u>12,255,666</u>
Total Capital Assets	<u>13,434,047</u>

Total Noncurrent Assets	<u>13,793,275</u>
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TOTAL ASSETS	<u>15,196,084</u>
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LIABILITIES

Current liabilities

Accounts payable	214,345
Current portion of long term debt	8,113
Unearned revenue	<u>10,675</u>
Total current liabilities	<u>233,133</u>

Noncurrent liabilities

Other noncurrent liabilities	199,243
Long term debt	<u>3,225,653</u>
Total Noncurrent liabilities	<u>3,424,896</u>

TOTAL LIABILITIES	<u>3,658,029</u>
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NET POSITION

Unrestricted	1,326,059
Restricted	11,715
Net investment in capital assets	<u>10,200,281</u>

TOTAL NET POSITION	<u>\$ 11,538,055</u>
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES

Total rental income	\$ 1,042,076
Other income	63,430
	1,105,506
TOTAL OPERATING REVENUE	1,105,506

OPERATING EXPENSES

Administrative	1,283,406
Tenant services	298,647
Utilities	729,083
Ordinary maintenance and operation	1,327,358
Protective services	15,001
General expense	328,426
Housing assistance payments	3,271,503
Depreciation expense	1,148,059
	8,401,483
TOTAL OPERATING EXPENSES	8,401,483

OPERATING INCOME (LOSS) (7,295,977)

NONOPERATING REVENUES (EXPENSES)

Federal operating grants	6,245,438
Gain on sale of capital assets	0
Interest expense	(20,674)
Interest income	5,360
	6,230,124

TOTAL NONOPERATING REVENUES 6,230,124

INCOME (LOSS) BEFORE OTHER REVENUES (1,065,853)

CAPITAL CONTRIBUTIONS 135,764

INCREASE (DECREASE) IN NET POSITION (930,089)

NET POSITION, BEGINNING OF YEAR 12,468,144

NET POSITION, END OF YEAR \$ 11,538,055

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from residents and other deposits	\$ 171,517
Other receipts (payments)	63,430
Payments to suppliers	(1,838,807)
Payments to/for employees	(2,004,901)
Payments to landlords	(3,271,503)

Net Cash Flows Provided (Used) by Operating Activities	<u>(6,880,264)</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	6,245,438
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>6,245,438</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Federal capital grants received	135,764
Principal borrowed on notes	(126,628)
Interest expense	(20,674)
Gain on sale of capital assets	0
Purchase of capital assets	(137,999)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(149,537)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	5,360
Net Cash Flows Provided by Investing Activities	<u>5,360</u>

Net change in cash (779,003)

Cash - Beginning of year	1,938,432
Cash - End of year	\$ <u><u>1,159,429</u></u>

Reconciliation of Cash:

Unrestricted	\$ 796,776
Restricted	362,653
Total Cash and Cash Equivalents	\$ <u><u>1,159,429</u></u>

Continued

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ (7,295,977)
Adjustments to reconcile net operating income (loss) to net cash Provided by operating activities:	
Depreciation	1,148,059
(Increase) Decrease in:	
Accounts receivable	(347,261)
Inventory and prepaid expenses	142,719
Increase (Decrease) in:	
Accounts payable	12,141
Accrued liabilities	(16,647)
Unearned revenue	(523,298)
Net Cash Flows Provided (Used) by Operating Activities	\$ <u>(6,880,264)</u>

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 public corporation 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, 2017, 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.
SCAN, IYI/Summer Leadership Academy, and Duke Foundation Grants

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(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 and its Superior Street Development Corporation.

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, 2017

(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, 2017

(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, 2017

(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, 2017, 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, 2017

(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 \$1,159,429 at December 31, 2017. Bank balances before reconciling items were \$1,277,480, 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, 2017, consist of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash/Checking accounts	\$ 918,630	\$ 1,002,110
Money Market/Savings/CDs	<u>240,799</u>	<u>275,370</u>
Total cash and deposits	<u>\$ 1,159,429</u>	<u>\$ 1,277,480</u>

NOTE 3 - Accounts Receivable:

Accounts receivables at December 31, 2017, consist of the following:

HUD	\$ 46,832
Notes Receivable, Net of Allowance of \$8,138	3,116
HCV Fraud Recovery Receivable	
Net of Allowance for Doubtful Accounts of \$70,221	1,588
Tenant Receivables	
Net of Allowance for Doubtful Accounts of \$6,726	2,575
Insurance Proceeds Receivable	351,639
Other	<u>2,608</u>
Total Accounts Receivable	<u>\$ 408,358</u>

NOTE 4 - Prepaid Expenses:

Prepaid expenses at December 31, 2017, consist of the following:

Prepaid Insurance	\$ 64,286
Prepaid Loan	<u>75,016</u>
Total Prepaid Expenses	<u>\$139,302</u>

NOTE 5 - Inventory:

Inventory at December 31, 2017, consists of the following:

Inventory, net of allowance of \$4,492	<u>\$ 54,948</u>
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HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2017
(Continued)

NOTE 6 - Mortgages:

Mortgages receivable at December 31, 2017 consist of the following:

Silent Second Homeownership Mortgages
Net of Allowance of \$4,500 \$ 0

NOTE 7 - Capital Assets:

A summary in changes in capital assets is as follows:

	<u>Beginning Balance 12/31/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance 12/31/17</u>
Capital assets, not being depreciated:					
Land	\$ 1,123,125	\$ 0	\$ 0	\$ 0	\$ 1,123,125
Construction in Progress	<u>33,582</u>	<u>135,764</u>	<u>0</u>	<u>(114,090)</u>	<u>55,256</u>
Total Capital Assets, Not being depreciated	<u>1,156,707</u>	<u>135,764</u>	<u>0</u>	<u>(114,090)</u>	<u>1,178,381</u>
Capital Assets, being depreciated:					
Buildings & Improvements	30,904,628	0	0	67,400	30,972,028
Furniture, Equipment & Machinery	<u>2,097,553</u>	<u>2,235</u>	<u>0</u>	<u>46,690</u>	<u>2,146,478</u>
Total Capital Assets, being depreciated	<u>33,002,181</u>	<u>2,235</u>	<u>0</u>	<u>114,090</u>	<u>33,118,506</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	(18,064,831)	(983,245)	0	0	(19,048,076)
Furniture, Equipment and Machinery	<u>(1,649,950)</u>	<u>(164,814)</u>	<u>0</u>	<u>0</u>	<u>(1,814,764)</u>
Total Accumulated Depreciation:	<u>(19,714,781)</u>	<u>(1,148,059)</u>	<u>0</u>	<u>0</u>	<u>(20,862,840)</u>
Total Capital Assets, being depreciated, net	<u>13,287,400</u>	<u>(1,145,824)</u>	<u>0</u>	<u>114,090</u>	<u>12,255,666</u>
Capital Assets, Net	<u>\$14,444,107</u>	<u>\$ (1,010,060)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$13,434,047</u>

Depreciation expense for the year was: \$1,148,059

The following is a schedule of significant capital construction projects of the Authority with remaining commitment amounts as of December 31, 2017.

2017 CFP	Terrace Tower - Paint 50 Balcony Railings	<u>\$ 21,230</u>
Total Open Contracts		<u>\$ 21,230</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2017
(Continued)

NOTE 8 - Accounts Payable:

Accounts payable at December 31, 2017, consist of the following:

Vendors' Accounts Payable	\$ 77,643
Tenant Security Deposits	79,669
Payment in Lieu of Taxes (PILOT)	25,437
Housing Assistance Payments Payable	12,881
Individual Savings Accounts Payable	6,824
Accrued Wages/Payroll Taxes Payable	<u>5,368</u>
 TOTAL	 <u>\$ 207,822</u>

NOTE 9 - Unearned Revenue:

Unearned Revenue at December 31, 2017, consists of the following:

Tenant prepaid rents	<u>\$ 10,675</u>
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NOTE 10 - 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 \$2,808,690 at December 31, 2017.

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 \$425,076 is the balance of the loan at December 31, 2017.

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.

Noncurrent liabilities at December 31, 2017, consist of the following:

	<u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/17</u>	<u>Current Portion</u>	<u>Total</u>
Family Self-Sufficiency						
Escrow Deposits	\$ 172,950	\$ 67,576	\$ 98,711	\$ 141,815	0	\$ 141,815
Loan Payables-EPC	2,927,576	0	118,886	2,808,690	0	2,808,690
Loan Payables						
-Construction	432,818	0	7,742	416,963	8,113	425,076
Accrued Wages	<u>42,940</u>	<u>21,011</u>	<u>0</u>	<u>57,428</u>	<u>6,523</u>	<u>63,951</u>
	<u>\$3,576,284</u>	<u>\$ 88,587</u>	<u>\$ 225,339</u>	<u>\$3,424,896</u>	<u>\$ 14,636</u>	<u>\$3,439,532</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(Continued)

NOTE 10 - Noncurrent Liabilities: (continued)

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,113	\$ 20,303	\$ 28,416
2019	64,872	227,583	292,455
2020	147,170	145,285	292,455
2021	154,456	137,999	292,455
2022	161,687	130,768	292,455
2023-2027	928,975	533,299	1,462,274
2028-2032	1,167,806	294,468	1,462,274
2033-2037	441,136	65,701	506,837
2038-2042	116,930	25,150	142,080
2043-2044	42,621	1,707	44,328
Total	<u>\$3,233,766</u>	<u>\$1,582,263</u>	<u>\$4,816,029</u>

NOTE 11 - Federal Operating Grants:

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

Low Rent Public Housing	\$ 2,132,905
Housing Choice Vouchers	3,579,422
Capital Fund Grants	591,543
ROSS Grants	77,332
TOTAL	<u>\$ 6,381,202</u>

NOTE 12 - Capital Contributions:

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended December 31, 2017, were \$135,764.

Capital Fund	<u>\$ 135,764</u>
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NOTE 13 - 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, 2017, 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, 2017. 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.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(Continued)

NOTE 13 - Contingencies: (continued)

There were certain major construction projects in progress at December 31, 2017. 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, 2017, the Authority had not yet spent a total of \$776,177 available from the Capital Fund Program grants.

Note 14 - 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, 2017, the Authority's required and actual contributions were \$125,563.

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, 2017.

The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

NOTE 15 - 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.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(Continued)

NOTE 15 - Litigation: (continued)

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 was due on July 26, 2017; our brief was due on August 25, 2017; and the plaintiff's reply brief was due September 8, 2017. We filed an amended brief on November 29, 2017, and the plaintiff's reply brief was due by December 6, 2017. Oral argument was held on January 18, 2018, and the Seventh Circuit Court took the case under advisement. No opinion has been issued.

NOTE 16 - Conduit Type Debt:

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

NOTE 17 - Economic Dependency:

The Authority receives approximately 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 18 - 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.

The Kokomo Housing Authority has submitted a Letter of Interest in the Rental Assistance Demonstration Program (RAD). Upon submittal of the application and subsequent approval, the Kokomo Housing Authority will be converting to Project Based Vouchers (PBV) under the guidelines of the PIH Notice 2012-32, REV-1 and any successor Notices. Upon conversion to PBV, the Authority will adopt the resident rights, participation, waiting list and grievance procedures listed in Section 1.6 C & 1.6 D for PBV of PIH Notice 2012-32, REV-1.

Management has evaluated the activity of the Authority through August 14, 2018, (the date the financial statements were available to be issued) and concluded that no other 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, 2017

	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
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 175,573	\$ 198,806	\$ 0	\$ 406,099
Accounts receivable, net	404,415	495	0	6,873
Interprogram	0	0	0	42,072
Prepaid expenses	113,659	7,128	0	16,508
Inventory, net	0	0	0	54,948
Total Current Assets	693,647	206,429	0	526,500
<u>Noncurrent Assets</u>				
Restricted assets				
Restricted Cash and Investments	311,643	132	0	48,878
Notes and Mortgages receivable	(3,425)	0	0	0
Capital assets				
Land and other nondepreciable assets	1,054,936	0	0	123,445
Depreciable capital assets, net	11,248,321	0	0	333,871
Total Capital Assets	12,303,257	0	0	457,316
Total Noncurrent Assets	12,611,475	132	0	506,194
TOTAL ASSETS	13,305,122	206,561	0	1,032,694
<u>LIABILITIES</u>				
<u>Current liabilities</u>				
Accounts payable	185,412	19,536	0	7,397
Current portion of long term debt	0	0	0	0
Interprogram	42,072	0	0	0
Unearned revenue	9,646	0	0	1,029
Total current liabilities	237,130	19,536	0	8,426
<u>Noncurrent liabilities</u>				
Other noncurrent liabilities	108,362	50,429	0	40,452
Long term debt	2,808,690	0	0	0
Total Noncurrent liabilities	2,917,052	50,429	0	40,452
TOTAL LIABILITIES	3,154,182	69,965	0	48,878
<u>Deferred inflow or resources</u>	0	0	0	0
<u>NET POSITION</u>				
Unrestricted	648,150	136,596	0	526,500
Restricted	8,223	0	0	0
Net investment in capital assets	9,494,567	0	0	457,316
TOTAL NET POSITION	\$ 10,150,940	\$ 136,596	\$ 0	\$ 983,816

<u>C-941</u>			
<u>Capital Fund Program</u>	<u>Business Activities</u>	<u>Interfund Elimination</u>	<u>Total</u>
\$ 0	\$ 16,298	\$ 0	\$ 796,776
0	0	0	411,783
0	0	(42,072)	0
0	2,007	0	139,302
0	0	0	54,948
<u>0</u>	<u>18,305</u>	<u>(42,072)</u>	<u>1,402,809</u>
0	2,000	0	362,653
0	0	0	(3,425)
0	0	0	1,178,381
0	673,474	0	12,255,666
<u>0</u>	<u>673,474</u>	<u>0</u>	<u>13,434,047</u>
0	675,474	0	13,796,700
<u>0</u>	<u>693,779</u>	<u>(42,072)</u>	<u>15,196,084</u>
0	2,000	0	214,345
0	8,113	0	8,113
0	0	(42,072)	0
0	0	0	10,675
<u>0</u>	<u>10,113</u>	<u>(42,072)</u>	<u>233,133</u>
0	0	0	199,243
0	416,963	0	3,225,653
<u>0</u>	<u>416,963</u>	<u>0</u>	<u>3,424,896</u>
0	427,076	(42,072)	3,658,029
0	0	0	0
0	14,813	0	1,326,059
0	3,492	0	11,715
0	248,398	0	10,200,281
<u>\$ 0</u>	<u>\$ 266,703</u>	<u>\$ 0</u>	<u>\$ 11,538,055</u>

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, 2017

	Annual Co	
	C-941	C-2034
	Low Income Public Housing	Section 8 Housing Choice Voucher Program
<u>OPERATING REVENUES</u>		
Rental income	\$ 1,004,832	\$ 0
Other income	28,231	21,197
TOTAL OPERATING REVENUE	1,033,063	21,197
<u>OPERATING EXPENSES</u>		
Administrative	958,489	310,913
Tenant services	203,418	20,261
Utilities	705,979	1,266
Ordinary maintenance and operation	1,299,586	8,906
Protective services	13,642	0
General expense	273,403	15,522
Housing assistance payments	0	3,271,503
Depreciation expense	1,106,429	0
TOTAL OPERATING EXPENSES	4,560,946	3,628,371
OPERATING INCOME (LOSS)	(3,527,883)	(3,607,174)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Federal operating grants	2,155,405	3,579,422
Gain on sale of capital assets	0	0
Interest expense	0	0
Interest income	2,425	281
TOTAL NONOPERATING REVENUES (EXPENSES)	2,157,830	3,579,703
INCOME (LOSS) BEFORE OTHER REVENUES	(1,370,053)	(27,471)
CAPITAL CONTRIBUTIONS	0	0
INCREASE (DECREASE) IN NET POSITION	(1,370,053)	(27,471)
NET POSITION - BEGINNING OF YEAR, as originally stated	10,881,950	164,067
Equity transfers	639,043	0
NET POSITION - BEGINNING OF YEAR, as restated	11,520,993	164,067
NET POSITION, END OF YEAR	\$ 10,150,940	\$ 136,596

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	\$ 37,244	\$ 0	\$ 1,042,076
0	641,714	0	3,000	(630,712)	63,430
<u>0</u>	<u>641,714</u>	<u>0</u>	<u>40,244</u>	<u>(630,712)</u>	<u>1,105,506</u>
3,874	639,857	0	985	(630,712)	1,283,406
73,458	0	0	1,510	0	298,647
0	21,315	0	523	0	729,083
0	15,998	0	2,868	0	1,327,358
0	1,359	0	0	0	15,001
0	37,375	0	2,126	0	328,426
0	0	0	0	0	3,271,503
0	22,159	0	19,471	0	1,148,059
<u>77,332</u>	<u>738,063</u>	<u>0</u>	<u>27,483</u>	<u>(630,712)</u>	<u>8,401,483</u>
(77,332)	(96,349)	0	12,761	0	(7,295,977)
77,332	0	433,279	0	0	6,245,438
0	0	0	0	0	0
0	0	0	(20,674)	0	(20,674)
0	2,633	0	21	0	5,360
<u>77,332</u>	<u>2,633</u>	<u>433,279</u>	<u>(20,653)</u>	<u>0</u>	<u>6,230,124</u>
0	(93,716)	433,279	(7,892)	0	(1,065,853)
0	0	135,764	0	0	135,764
0	(93,716)	569,043	(7,892)	0	(930,089)
0	1,147,532	0	274,595	0	12,468,144
0	(70,000)	(569,043)	0	0	0
<u>0</u>	<u>1,077,532</u>	<u>(569,043)</u>	<u>274,595</u>	<u>0</u>	<u>12,468,144</u>
<u>\$ 0</u>	<u>\$ 983,816</u>	<u>\$ 0</u>	<u>\$ 266,703</u>	<u>\$ 0</u>	<u>\$ 11,538,055</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED
DECEMBER 31, 2017

Annual Contributions Contract C-941

501-15

1. The Capital Fund Grant Costs are as follows:

Funds Approved	\$	640,720
Funds Expended		<u>640,720</u>
Excess / (Deficiency) of Funds Approved	\$	<u>0</u>
Funds Advanced	\$	640,720
Funds Expended		<u>640,720</u>
Excess / (Deficiency) of Funds Advanced	\$	<u>0</u>

- Costs additions totaling \$ 128,231 were made during the current audit period and, accordingly, were audited by Goldie Roberts, CPA.
- The total amount of the Capital Fund Grant Costs at December 31, 2017 as shown above are in agreement with the Actual Development Cost Certificate submitted to HUD and approved by HUD.
- All Capital Fund grant work in connection with the Project has been completed.
- All liabilities have been paid and there are no undischarged liens against the Project on file in any public office where the same should be filed in order to be valid and the time in which such liens could be filed has expired.
- There were no budget overruns.

166 Accumulated Depreciation	-\$19,886,791		-\$5,159	-\$77,882	-\$893,007	-\$20,862,839		-\$20,862,839
167 Construction in Progress	\$55,256					\$55,256		\$55,256
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$12,303,257	\$0	\$0	\$673,474	\$457,316	\$13,434,047	\$0	\$13,434,047
171 Notes, Loans and Mortgages Receivable - Non-Current	\$3,000					\$3,000		\$3,000
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	\$12,306,257	\$0	\$0	\$673,474	\$457,316	\$13,437,047	\$0	\$13,437,047
200 Deferred Outflow of Resources								
290 Total Assets and Deferred Outflow of Resources	\$13,305,122	\$0	\$206,561	\$693,779	\$1,032,694	\$15,238,156	-\$42,072	\$15,196,084
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$75,482		\$132		\$2,029	\$77,643		\$77,643
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable					\$5,368	\$5,368		\$5,368
322 Accrued Compensated Absences - Current Portion			\$6,523			\$6,523		\$6,523
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs			\$12,881			\$12,881		\$12,881
332 Account Payable - PHA Projects	\$6,824					\$6,824		\$6,824
333 Accounts Payable - Other Government	\$25,437					\$25,437		\$25,437
341 Tenant Security Deposits	\$77,669			\$2,000		\$79,669		\$79,669
342 Unearned Revenue	\$9,646				\$1,029	\$10,675		\$10,675
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$8,113		\$8,113		\$8,113
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities								
346 Accrued Liabilities - Other								
347 Inter Program - Due To	\$42,072					\$42,072	-\$42,072	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$237,130	\$0	\$19,536	\$10,113	\$8,426	\$275,205	-\$42,072	\$233,133
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$2,808,690			\$416,963		\$3,225,653		\$3,225,653
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other	\$91,961		\$49,854			\$141,815		\$141,815
354 Accrued Compensated Absences - Non Current	\$16,401		\$575		\$40,452	\$57,428		\$57,428
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities								
350 Total Non-Current Liabilities	\$2,917,052	\$0	\$50,429	\$416,963	\$40,452	\$3,424,896	\$0	\$3,424,896

300 Total Liabilities	\$3,154,182	\$0	\$69,965	\$427,076	\$48,878	\$3,700,101	-\$42,072	\$3,658,029
400 Deferred Inflow of Resources								
508.4 Net Investment in Capital Assets	\$9,494,567	\$0	\$0	\$248,398	\$457,316	\$10,200,281		\$10,200,281
511.4 Restricted Net Position	\$8,223	\$0	\$0	\$3,492		\$11,715		\$11,715
512.4 Unrestricted Net Position	\$648,150	\$0	\$136,596	\$14,813	\$526,500	\$1,326,059		\$1,326,059
513 Total Equity - Net Assets / Position	\$10,150,940	\$0	\$136,596	\$266,703	\$983,816	\$11,538,055	\$0	\$11,538,055
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$13,305,122	\$0	\$206,561	\$693,779	\$1,032,694	\$15,238,156	-\$42,072	\$15,196,084

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

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2017

	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	\$938,113			\$36,720		\$974,833		\$974,833
70400 Tenant Revenue - Other	\$66,719			\$524		\$67,243		\$67,243
70500 Total Tenant Revenue	\$1,004,832	\$0	\$0	\$37,244	\$0	\$1,042,076	\$0	\$1,042,076
70600 HUD PHA Operating Grants	\$2,588,684	\$77,332	\$3,579,422			\$6,245,438		\$6,245,438
70610 Capital Grants	\$135,764					\$135,764		\$135,764
70710 Management Fee					\$457,755	\$457,755	-\$457,755	\$0
70720 Asset Management Fee					\$66,000	\$66,000	-\$66,000	\$0
70730 Book Keeping Fee					\$106,957	\$106,957	-\$106,957	\$0
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue					\$630,712	\$630,712	-\$630,712	\$0
70800 Other Government Grants								
71100 Investment Income - Unrestricted	\$2,333		\$281	\$19	\$2,633	\$5,266		\$5,266
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery			\$20,244			\$20,244		\$20,244
71500 Other Revenue	\$28,231		\$953	\$3,000	\$11,002	\$43,186		\$43,186
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted	\$92			\$2		\$94		\$94
70000 Total Revenue	\$3,759,936	\$77,332	\$3,600,900	\$40,265	\$644,347	\$8,122,780	-\$630,712	\$7,492,068
91100 Administrative Salaries	\$288,392		\$152,075		\$448,366	\$888,833		\$888,833
91200 Auditing Fees	\$7,056		\$2,991			\$10,047		\$10,047
91300 Management Fee	\$427,770		\$29,985			\$457,755	-\$457,755	\$0
91310 Book-keeping Fee	\$46,754		\$60,203			\$106,957	-\$106,957	\$0
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative	\$99,372		\$40,862		\$142,334	\$282,568		\$282,568
91600 Office Expenses	\$43,796		\$15,406	\$1	\$28,952	\$88,155		\$88,155
91700 Legal Expense	\$627		\$757	\$954	\$4,169	\$6,507		\$6,507
91800 Travel	\$298				\$72	\$370		\$370
91810 Allocated Overhead								
91900 Other	\$37,880	\$3,874	\$8,574	\$30	\$1,556	\$51,914		\$51,914

91000 Total Operating - Administrative	\$951,945	\$3,874	\$310,853	\$985	\$625,449	\$1,893,106	-\$564,712	\$1,328,394
92000 Asset Management Fee	\$66,000					\$66,000	-\$66,000	\$0
92100 Tenant Services - Salaries	\$104,792	\$46,718	\$17,333			\$168,843		\$168,843
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services	\$18,287	\$5,802	\$2,928			\$27,017		\$27,017
92400 Tenant Services - Other	\$14,339	\$20,938		\$1,510		\$36,787		\$36,787
92500 Total Tenant Services	\$137,418	\$73,458	\$20,261	\$1,510	\$0	\$232,647	\$0	\$232,647
93100 Water	\$69,475		\$112		\$830	\$70,417		\$70,417
93200 Electricity	\$225,612		\$322	\$507	\$13,962	\$240,403		\$240,403
93300 Gas	\$110,781		\$667		\$5,562	\$117,010		\$117,010
93400 Fuel								
93500 Labor								
93600 Sewer	\$105,484		\$165	\$16	\$961	\$106,626		\$106,626
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense	\$194,627					\$194,627		\$194,627
93000 Total Utilities	\$705,979	\$0	\$1,266	\$523	\$21,315	\$729,083	\$0	\$729,083
94100 Ordinary Maintenance and Operations - Labor	\$494,335		\$484		\$1,450	\$496,269		\$496,269
94200 Ordinary Maintenance and Operations - Materials and Other	\$272,640		\$783	\$85	\$7,209	\$280,717		\$280,717
94300 Ordinary Maintenance and Operations Contracts	\$390,658		\$7,602	\$2,783	\$6,651	\$407,694		\$407,694
94500 Employee Benefit Contributions - Ordinary Maintenance	\$141,223		\$37		\$111	\$141,371		\$141,371
94000 Total Maintenance	\$1,298,856	\$0	\$8,906	\$2,868	\$15,421	\$1,326,051	\$0	\$1,326,051
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs	\$13,642				\$1,359	\$15,001		\$15,001
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$13,642	\$0	\$0	\$0	\$1,359	\$15,001	\$0	\$15,001
96110 Property Insurance	\$114,668		\$2,566	\$1,126	\$5,985	\$124,345		\$124,345
96120 Liability Insurance	\$26,661		\$4,786	\$1,000	\$8,155	\$40,602		\$40,602
96130 Workmen's Compensation	\$40,265		\$7,401		\$17,104	\$64,770		\$64,770
96140 All Other Insurance	\$11,969		\$700		\$3,484	\$16,153		\$16,153
96100 Total insurance Premiums	\$193,563	\$0	\$15,453	\$2,126	\$34,728	\$245,870	\$0	\$245,870
96200 Other General Expenses	\$6,623		\$69		\$2,647	\$9,339		\$9,339
96210 Compensated Absences	\$6,544		\$60		\$14,408	\$21,012		\$21,012
96300 Payments in Lieu of Taxes	\$25,437					\$25,437		\$25,437
96400 Bad debt - Tenant Rents	\$47,780					\$47,780		\$47,780
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								

96000 Total Other General Expenses	\$86,384	\$0	\$129	\$0	\$17,055	\$103,568	\$0	\$103,568
96710 Interest of Mortgage (or Bonds) Payable				\$20,674		\$20,674		\$20,674
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	\$20,674	\$0	\$20,674	\$0	\$20,674
96900 Total Operating Expenses	\$3,453,787	\$77,332	\$356,868	\$28,686	\$715,327	\$4,632,000	-\$630,712	\$4,001,288
97000 Excess of Operating Revenue over Operating Expenses	\$306,149	\$0	\$3,244,032	\$11,579	-\$70,980	\$3,490,780	\$0	\$3,490,780
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized	\$730				\$577	\$1,307		\$1,307
97300 Housing Assistance Payments			\$3,261,789			\$3,261,789		\$3,261,789
97350 HAP Portability-In			\$9,714			\$9,714		\$9,714
97400 Depreciation Expense	\$1,106,429			\$19,471	\$22,159	\$1,148,059		\$1,148,059
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$4,560,946	\$77,332	\$3,628,371	\$48,157	\$738,063	\$9,052,869	-\$630,712	\$8,422,157
10010 Operating Transfer In	\$208,510					\$208,510		\$208,510
10020 Operating transfer Out	-\$138,510				-\$70,000	-\$208,510		-\$208,510
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)	\$70,000	\$0	\$0	\$0	-\$70,000	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$731,010	\$0	-\$27,471	-\$7,892	-\$163,716	-\$930,089	\$0	-\$930,089
11020 Required Annual Debt Principal Payments	\$65,020	\$0	\$0	\$8,113	\$0	\$73,133		\$73,133
11030 Beginning Equity	\$10,881,950	\$0	\$164,067	\$274,595	\$1,147,532	\$12,468,144		\$12,468,144
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0					\$0		\$0
11050 Changes in Compensated Absence Balance								
11060 Changes in Contingent Liability Balance								
11070 Changes in Unrecognized Pension Transition Liability								

11080	Changes in Special Term/Severance Benefits Liability							
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100	Changes in Allowance for Doubtful Accounts - Other							
11170	Administrative Fee Equity		\$136,596			\$136,596		\$136,596
11180	Housing Assistance Payments Equity		\$0			\$0		\$0
11190	Unit Months Available	6383	8400	48	0	14831		14831
11210	Number of Unit Months Leased	6017	8135	48	0	14200		14200
11270	Excess Cash	\$263,291				\$263,291		\$263,291
11610	Land Purchases	\$0			\$0	\$0		\$0
11620	Building Purchases	\$0			\$0	\$0		\$0
11630	Furniture & Equipment - Dwelling Purchases	\$114,090			\$0	\$114,090		\$114,090
11640	Furniture & Equipment - Administrative Purchases	\$2,235			\$0	\$2,235		\$2,235
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, 2017

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, 2017

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>BUDGET</u>	<u>EXPENDITURES</u>
	<u>U. S. DEPARTMENT OF HUD</u>			
C-941	Public and Indiana Housing	14.850	\$ 2,155,405	\$ 2,155,405
C-941	Resident Opportunity and Supportive Services - Service Coordinators	14.870	246,000	77,332
C-2034	Housing Voucher Cluster Section 8 Housing Choice Vouchers	14.871	3,579,422	3,579,422
C-941	Public Housing Capital Fund	14.872	<u>1,997,914</u>	<u>569,043</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 7,378,741</u>	<u>\$ 6,381,202</u>

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, 2017. 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, 2017, 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 14, 2018.

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 14, 2018

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, 2017. 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, 2017.

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 14, 2018

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

DECEMBER 31, 2017

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

14.850

Name of Federal Program

Low Income Public Housing

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, 2017

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.