



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B55398

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

July 8, 2020

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

We have reviewed the audit report of the Housing Authority of the City of Kokomo, which was opined on by Goldie Roberts, CPA, Independent Public Accountant, for the period January 1, 2019 to December 31, 2019. 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, 2019, 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, 2019

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, 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	i
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Fund Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	7
 <u>SUPPLEMENTAL FINANCIAL INFORMATION</u>	
Combining Schedule of Program Net Position	19
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	20
Financial Data Schedule	21
Notes to Supplemental Financial Information	28
Schedule of Expenditures of Federal Awards	29
 <u>OTHER REPORTS</u>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by Uniform Guidance	32
Schedule of Findings and Questioned Costs	34

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, 2019, 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, 2019, 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 vii 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 Principles 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 June 25, 2020 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
June 25, 2020

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis
December 31, 2019

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.

As management of the Housing Authority of the City of Kokomo, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2019. Please read the MD&A's information here in conjunction with the Authority's financial statements.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Position - reports the Authority's current financial resources (short-term spendable resources) with capital assets and long-term debt obligations
- Statement of Revenues, Expenses, and Changes in Net Position - reports the Authority's operating and non-operating revenues, by major source, along with operating and non-operating expenses and capital contributions.
- Comparison of budget vs. actual - reports the Authority's actual operating revenues and expenses versus the budgeted amounts.

Our analysis of the Authority of a whole begins on the next page with an analysis of entity-wide net position, revenues, and expenses. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net position and changes in them. One can think of the Authority's net position as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The change in net position analysis will assist the reader with measuring the health or financial position of the Authority.

Over time, significant changes in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority, the reader must also consider non-financial factors such as changes in family composition, fluctuation in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis
December 31, 2019
(Continued)

Overview of the Financial Statements
(Continued)

To fully understand the financial statements of the Authority, one must start with an understanding of what the Authority actually does. The following is a brief description of the programs and services that the Authority provides for the residents of Kokomo, Indiana.

Low Income Public Housing (LIPH)

Kokomo Housing Authority owns 549 units in Kokomo. The Authority is responsible for the management, maintenance, and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Fund Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between these Allowable Expenses and the amount of rents and other fees that the Authority can charge the Authority's residents.

Section 8 Housing Choice Vouchers (HCV)

HUD has contracted support with the Authority for 719 Housing Choice Vouchers. The Authority pays Housing Assistance Payments to landlords for Low Income residents. The Housing Assistance Payment (HAP) matches the difference between the total rent that the landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the resident can pay based on HUD mandated calculations. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program but is responsible for inspecting the units annually.

Capital Fund Program (CFP) Grant

This grant program is awarded by HUD on an annual basis. The purpose of these grants is for improvement of the Authority's sites and the management of the Authority. The Authority requisitions funds from HUD as the Authority expends funds. The Authority is permitted four years to fully expend an annual award.

Superior Street Housing Development, Inc. (SSHDI)

The Superior Street Housing Development, Inc. owns 4 units. The Authority is responsible for the management, maintenance, and utilities for all units. The purpose of SSHDI is to develop, construct, rehabilitate, maintain and manage residential dwellings for low-income families.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2019

(Continued)

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Position (Statement of Net Position)

Total Assets for FYE 12/31/19 were \$13,464,936 and at FYE 12/31/18 they were \$14,177,778. This represents a net decrease of \$712,842.

Current Assets increased by \$325,777. Cash increased due to higher HUD subsidies and grants and interest income, and lower maintenance expenses. Receivables increased due to HUD grant receivable in 2019.

Capital Assets decreased by \$1,034,494. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Non-Current Assets decreased by \$4,125. This was the annual reduction in silent second mortgages for residents who purchased a scattered site.

Current Liabilities decreased by \$12,084. The change in current liabilities was due to a decrease in accounts payable and tenant security deposits.

Noncurrent Liabilities decreased by \$191,715 due to a decrease in long-term debt for two loans.

The table below illustrated our analysis:

	12/31/2019	12/31/2018	Net Change
Current Assets	\$ 2,170,826	\$ 1,845,049	\$ 325,777
Capital Assets, Net	11,273,110	12,307,604	(1,034,494)
Non-Current Assets	<u>21,000</u>	<u>25,125</u>	<u>(4,125)</u>
Total Assets	<u>13,464,936</u>	<u>14,177,778</u>	<u>(712,842)</u>
Current Liabilities	217,383	229,467	(12,084)
Noncurrent Liabilities	<u>3,101,637</u>	<u>3,293,352</u>	<u>(191,715)</u>
Total Liabilities	<u>3,319,020</u>	<u>3,522,819</u>	<u>203,799)</u>
Unrestricted	1,678,101	1,370,101	308,000
Restricted	137,857	69,128	68,729
Investment in Capital Assets	<u>8,329,958</u>	<u>9,215,730</u>	<u>(885,772)</u>
Total Net Position	<u>\$10,145,916</u>	<u>\$10,654,959</u>	<u>\$ (509,043)</u>

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2019

(Continued)

**Analysis of Entity Wide Revenues
(Statement of Changes in Net Position)**

The Authority administers the following programs and the revenues generated from these programs during the fiscal year ending 12/31/2019 were as follows:

Program	Revenues Generated
Low Income Public Housing	\$ 3,365,553
Section 8 HCV	\$ 4,166,707
Capital Fund Program	\$ 685,904
ROSS Grants	\$ 106,464
Business Activities	\$ 34,379

Total revenues for FYE 12/31/2019 were \$8,359,007 as compared to the total revenues for FYE 12/31/2018 of \$8,100,809. Comparatively, FYE 12/31/2019 revenues increased from FYE 12/31/2018 revenues by \$258,198.

	12/31/2019	12/31/2018	Net Change
Total Tenant Revenue	\$1,074,415	\$1,047,837	\$ 26,578
HUD Operating Grants	7,165,333	6,900,150	265,183
Capital Grants	39,983	16,966	23,017
Investment Income	19,177	11,671	7,506
Other Revenue	<u>60,099</u>	<u>124,185</u>	<u>(64,086)</u>
Total Revenue	<u>\$8,359,007</u>	<u>\$8,100,809</u>	<u>\$ 258,198</u>

Analysis of Entity Wide Expenditures

Total Expenditures for FYE 12/31/2019 were \$8,868,050, as compared to \$8,983,905 total expenditures for FYE 12/31/2018. Comparatively, FYE 12/31/2019 expenditures decreased from FYE 12/31/2018 expenditures by \$115,855. Changes to major expense categories will be presented below.

Administrative expenditures decreased by \$30,223. Salaries and benefits decreased by \$28,761. Office, legal and other expenses decreased by \$1,462.

Tenant Services expenditures increased by \$5,276 due to an increase in salaries and benefits.

Utilities increased by \$16,093. Electricity increased by \$3,122, water by \$6,390, gas by \$2,187, and sewer by \$28,592. Other utilities expense decreased by \$24,198.

Maintenance expenditures decreased by \$162,630. There was a decrease in salaries and benefits of \$64,113, a decrease of \$96,769 in maintenance materials and a decrease of \$1,748 in contract costs.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2019

(Continued)

Analysis of Entity Wide Expenditures

(Continued)

General Expenses increased by \$41,107. The major causes were an increase in tenant bad debts and casualty losses.

Housing Assistance Payments to landlords increased by \$68,577.

Depreciation Expense decreased by \$54,884.

The table below illustrates our analysis:

	12/31/2019	12/31/2018	Net Change
Administrative	\$1,286,368	\$1,316,591	\$ (30,223)
Tenant Services	245,125	239,849	5,276
Utilities	814,573	798,480	16,093
Maintenance	1,346,569	1,509,199	(162,630)
General Expense	380,376	339,269	41,107
Interest	21,121	20,292	829
Housing Assistance Payments	3,699,441	3,630,864	68,577
Depreciation Expense	<u>1,074,477</u>	<u>1,129,361</u>	<u>(54,884)</u>
Total Expenses	<u>\$ 8,868,050</u>	<u>\$8,983,905</u>	<u>\$ 115,855)</u>

Budgetary Analysis

The Authority adopts an annual operating budget for the Low Income Public Housing (LIPH) and Section 8 Housing Choice Voucher (HCV) programs. The budgets for LIPH and HCV programs are adopted on the basis of accounting prescribed by the Department of 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 and Ross Grant Programs that are 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 Grants, Ross Grants, and Business Activities are equal to the actual expense.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2019

(Continued)

Housing Authority Budgetary Highlights

	Budget	Actual	Variance
Tenant Revenues	\$1,069,970	\$1,074,415	\$ 4,445
HUD Operating Grants	7,165,333	7,165,333	0
HUD Capital Grants	39,983	39,983	0
Investment Income	19,077	19,177	100
Fraud Recovery	13,750	17,985	4,235
Other Revenue	35,962	42,114	6,152
Total Revenue	<u>8,344,075</u>	<u>8,359,007</u>	<u>14,932</u>
Administrative	1,284,028	1,286,368	(2,340)
Tenant Services	239,497	245,125	(5,628)
Utilities	801,203	814,573	(13,370)
Maintenance	1,354,589	1,346,569	8,020
General Expense	383,333	380,376	2,957
Interest Expense	21,121	21,121	0
Housing Assistance Payments	3,705,000	3,699,441	5,559
Depreciation Expense	1,074,477	1,074,477	0
Total Expenses	<u>8,863,248</u>	<u>8,868,050</u>	<u>(4,802)</u>
Net Income/(Loss)	<u>\$ (519,173)</u>	<u>\$ (509,043)</u>	<u>\$ 10,130</u>

Analysis of Capital Asset Activity

Land remained the same during 2019.

Buildings & Leasehold Improvements remained the same during 2019.

Furniture, Equipment & Machinery - Dwelling remained the same during 2019.

Furniture, Equipment & Machinery - Administration remained the same during 2019.

Construction in Progress increased by \$39,983 from an increase in capital assets from open Capital Grants.

Accumulated Depreciation increased by \$1,074,477 due to the current year's depreciation.

	12/31/2019	12/31/2018	Net Change
Land	\$ 1,118,696	\$ 1,118,696	\$ 0
Buildings	30,988,589	30,988,589	0
Furniture/Equip./Machinery-Dwell	1,064,407	1,064,407	0
Furniture/Equip./Machinery-Admin	988,824	988,827	0
Construction in Progress	57,168	17,185	39,983
Total Capital Assets	<u>34,217,684</u>	<u>34,177,701</u>	39,983
Accumulated Depreciation	<u>(22,944,574)</u>	<u>(21,870,097)</u>	<u>(1,074,477)</u>
Net Capital Assets	<u>\$ 11,273,110</u>	<u>\$ 12,307,604</u>	<u>\$ (1,034,494)</u>

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2019

(Continued)

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Chief Executive Office, Housing Authority of the City of Kokomo, PO Box 1207, Kokomo, Indiana 46903-1207.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS

Current Assets

Cash	\$ 1,506,151
Accounts receivable, net	47,906
Prepaid expenses	73,408
Inventory, net	34,749
Total Current Assets	<u>1,662,214</u>

Noncurrent Assets

Restricted assets

Restricted cash and investments	508,612
Notes and Mortgages receivable	21,000

Capital assets

Land and other nondepreciable assets	1,175,864
Depreciable capital assets, net	10,097,246
Total Capital Assets	<u>11,273,110</u>

Total Noncurrent Assets	<u>11,802,722</u>
--------------------------------	--------------------------

TOTAL ASSETS	<u>13,464,936</u>
---------------------	--------------------------

LIABILITIES

Current liabilities

Accounts payable	192,641
Current portion of long term debt	8,875
Unearned revenue	15,867
Total current liabilities	<u>217,383</u>

Noncurrent liabilities

Other noncurrent liabilities	167,360
Long term debt	2,934,277
Total Noncurrent liabilities	<u>3,101,637</u>

TOTAL LIABILITIES	<u>3,319,020</u>
--------------------------	-------------------------

NET POSITION

Unrestricted	1,678,101
Restricted	137,857
Net investment in capital assets	8,329,958

TOTAL NET POSITION	<u>\$ 10,145,916</u>
---------------------------	-----------------------------

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, 2019

OPERATING REVENUES

Total rental income	\$ 1,074,415
Other income	60,099

TOTAL OPERATING REVENUE	1,134,514
-------------------------	-----------

OPERATING EXPENSES

Administrative	1,216,777
Tenant services	311,005
Utilities	814,573
Ordinary maintenance and operation	1,342,805
Protective services	13,732
General expense	374,119
Housing assistance payments	3,699,441
Depreciation expense	1,074,477

TOTAL OPERATING EXPENSES	8,846,929
--------------------------	-----------

OPERATING INCOME (LOSS)	(7,712,415)
-------------------------	-------------

NONOPERATING REVENUES (EXPENSES)

Federal operating grants	7,165,333
Gain on sale of capital assets	0
Interest expense	(21,121)
Interest income	19,177

TOTAL NONOPERATING REVENUES	7,163,389
-----------------------------	-----------

INCOME (LOSS) BEFORE OTHER REVENUES	(549,026)
-------------------------------------	-----------

CAPITAL CONTRIBUTIONS	39,983
-----------------------	--------

INCREASE (DECREASE) IN NET POSITION	(509,043)
-------------------------------------	-----------

NET POSITION, BEGINNING OF YEAR	10,654,959
---------------------------------	------------

NET POSITION, END OF YEAR	\$ 10,145,916
---------------------------	---------------

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from residents and other deposits	\$ 1,015,750
Other receipts (payments)	60,099
Payments to suppliers	(2,146,251)
Payments to/for employees	(1,955,590)
Payments to landlords	<u>(3,699,441)</u>

Net Cash Flows Provided (Used) by Operating Activities	<u>(6,725,433)</u>
---	--------------------

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	<u>7,165,333</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>7,165,333</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Federal capital grants received	39,983
Principal borrowed on notes	(148,722)
Interest expense	(21,121)
Purchase of capital assets	<u>(39,983)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(169,843)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>19,177</u>
Net Cash Flows Provided by Investing Activities	<u>19,177</u>

Net change in cash 289,234

Cash - Beginning of year	<u>1,725,529</u>
Cash - End of year	<u>\$ 2,014,763</u>

Reconciliation of Cash:

Unrestricted	\$ 1,506,151
Restricted	<u>508,612</u>
Total Cash and Cash Equivalents	<u>\$ 2,014,763</u>

Continued

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ (7,712,415)
Adjustments to reconcile net operating income (loss) to net cash Provided by operating activities:	
Depreciation	1,074,477
(Increase) Decrease in:	
Accounts receivable	(46,070)
Inventory and prepaid expenses	13,652
Increase (Decrease) in:	
Accounts payable	148
Accrued liabilities	(42,630)
Unearned revenue	<u>(12,595)</u>
 Net Cash Flows Provided (Used) by Operating Activities	 \$ <u><u>(6,725,433)</u></u>

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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). The financial statements also include the component units named Superior Street Housing Development Corporation (SSHDC) and Khatco, Inc.

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 training, 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, SSHDC'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.

At December 31, 2019, the Housing Authority had 1,273 units in management and was administering other programs as listed below:

Management

Low-Income Public Housing	550
Section 8 Housing Choice Vouchers	719
SSHDC	<u>4</u>
TOTAL ALL MANAGEMENT PROGRAMS	<u>1,273</u>

Other Programs

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2019
(Continued)

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

	<u>Housing</u>	<u>Component</u>	<u>Total</u>
	<u>Authority</u>	<u>Units</u>	
<u>Condensed Statement of Net Position</u>			
Current assets	\$ 2,157,015	\$ 13,811	\$ 2,170,826
Capital Assets	10,638,578	634,532	11,273,110
Non-Current Assets	<u>21,000</u>	<u>0</u>	<u>21,000</u>
Total assets	<u>12,816,593</u>	<u>648,343</u>	<u>13,464,936</u>
Current liabilities	206,932	10,451	217,383
Non-current liabilities	<u>2,701,641</u>	<u>399,996</u>	<u>3,101,637</u>
Total liabilities	<u>2,908,573</u>	<u>410,447</u>	<u>3,319,020</u>
Net investment in capital assets	8,104,297	225,661	8,329,958
Restricted	135,948	1,909	137,857
Unrestricted	<u>1,667,775</u>	<u>10,326</u>	<u>1,678,101</u>
Total Net Position	<u>\$ 12,816,593</u>	<u>\$ 648,343</u>	<u>\$ 13,464,936</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating revenues	\$ 1,100,136	\$ 34,378	\$ 1,134,514
Operating expenses			
Operating expense - other	(7,757,509)	(36,064)	(7,793,573)
Depreciation expense	(1,055,006)	(19,471)	(1,074,477)
Nonoperating revenue			
Nonoperating revenue - other	19,176	1	19,177
Federal operating grants	<u>7,165,333</u>	<u>0</u>	<u>7,165,333</u>
Net income before capital Contributions	(527,870)	(21,156)	(549,026)
Capital Contributions	<u>39,983</u>	<u>0</u>	<u>39,983</u>
Change in net position	<u>(487,887)</u>	<u>(21,156)</u>	<u>(509,043)</u>
Net Position, beginning of year	<u>10,395,907</u>	<u>259,052</u>	<u>10,654,959</u>
Net Position, end of year	<u>\$ 9,908,020</u>	<u>\$ 237,896</u>	<u>\$ 10,145,916</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2019
(Continued)

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

Condensed Statement of Cash Flows

	<u>Housing</u>	<u>Component</u>	
	<u>Authority</u>	<u>Units</u>	<u>Total</u>
Net Cash Provided (Used) by Operating Activities	\$(6,782,851)	\$ 17,418	\$(6,765,433)
Net Cash from Noncapital Financing Activities	7,165,333	0	7,165,333
Net Cash Flows Used by Capital And Related Financing Activities	(100,641)	(29,202)	(129,843)
Net Cash from Investing Activities	<u>19,176</u>	<u>1</u>	<u>19,177</u>
Net Increase in Cash and Cash Equivalents	301,017	(11,783)	289,234
Cash - Beginning of Year	<u>1,702,788</u>	<u>22,741</u>	<u>1,725,529</u>
Cash - End of Year	<u>\$ 2,003,805</u>	<u>\$ 10,958</u>	<u>\$ 2,014,763</u>

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.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(Continued)

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

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.

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 - Deposits consist of checking and savings accounts and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority.

For the purposed of the Statement of Cash Flows, the Authority considers all highly liquid cash deposits and cash equivalents with a maturity of three months or less when purchased and non-negotiable Certificates of Deposit to be cash equivalents. There were no noncash investing, capital, and financing activities during the year.

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 acts as necessary (at least annually) to write off specific uncollectible accounts receivable balances.

Prepaid - Prepaids represent payments made to vendors for services that will benefit beyond December 31, 2019.

Inventories - Inventories are valued at cost, which approximates market value, using the first in, first out (FIFO) method. The consumption method is applied, and expense is charged when inventory items are used for the units.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(Continued)

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

Interprogram Due From and Due To - During the course of its operations, the Authority has interprogram transactions to finance operations and provide services. Interprogram accounts receivable and payable have been recorded to recognize transactions between programs for which the applicable cash transfer had not been made as of the balance sheet date. Interprogram accounts have been eliminated for financial statement reporting purposes.

Capital Assets - Capital assets purchased are recorded at the time of purchase. Such assets are recorded at cost. The capitalization policy of the Authority requires furniture, equipment, and machinery assets to be capitalized when their cost is \$2,000 or more with an anticipated useful life of more than one (1) year. Modernization and Development Costs, having a useful life of more than one (1) year with a cost of \$5,000 or more, shall be capitalized. 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 reimbursements from HUD, there are no capitalized interest costs in current programs.

Depreciation of capital assets is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
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.

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.

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.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(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 which impact personal income, such as local job availability.

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

1. HUD Deposit Restrictions

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

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision.

Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

2. Risk Disclosures

A. Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed ten years at time of purchase. At December 31, 2019, 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.

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.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2019
(Continued)

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

Custodial Credit Risk: (continued)

The carrying amounts of the Authority's cash deposits were \$1,725,529 at December 31, 2019. Bank balances before reconciling items were \$1,874,383, 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, 2019, consist of the following:

Cash/Checking accounts	\$ 1,481,854
Money Market/Savings/CDs	<u>532,909</u>
Total cash and deposits	<u>\$ 2,014,763</u>

NOTE 3 - Accounts Receivable:

Accounts receivables at December 31, 2019, consist of the following:

HUD	\$ 53,124
Notes Receivable, Net of Allowance of \$4,125	10,725
Fraud Recovery Receivable	
Net of Allowance for Doubtful Accounts of \$107,112	(4,284)
Tenant Receivables	
Net of Allowance for Doubtful Accounts of \$11,242	9,086
Other	<u>255</u>
Total Accounts Receivable	<u>\$ 47,906</u>

NOTE 4 - Prepaid Expenses:

Prepaid expenses at December 31, 2019, consist of the following:

Prepaid Insurance	\$ 2,155
Prepaid Loan	<u>71,253</u>
Total Prepaid Expenses	<u>\$73,408</u>

NOTE 5 - Inventory:

Inventory, net of allowance of \$3,402	<u>\$34,749</u>
--	-----------------

Materials inventories are recorded at cost. The first-in/first-out (FIFO) inventory flow assumption is used to determine expenses. Expenses are recorded when inventory is consumed.

NOTE 6 - Mortgages:

Mortgages receivable at December 31, 2019 consist of the following:

Silent Second Homeownership Mortgages	<u>\$ 21,000</u>
---------------------------------------	------------------

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(Continued)

NOTE 7 - Component Units:

The Superior Street Housing Development Corporation (SSHDC) and KHATCO, Inc. were established by the Housing Authority of the City of Kokomo as not-for-profit corporations. The general purpose of SSHDC is to develop, construct, rehabilitate, maintain and manage residential dwellings for low-income families pursuant to economic guidelines established by the United States Department of Housing and Urban Development (HUD). The purpose of KHATCO, Inc. is to provide training and educational services to tenants, landlords, and employees of the Authority, and to the public. They are governed by the Authority's Board of Directors.

NOTE 8 - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance <u>12/31/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending Balance <u>12/31/19</u>
Capital assets, not being depreciated:					
Land	\$ 1,118,696	\$ 0	\$ 0	\$ 0	\$ 1,118,696
Construction in Progress	<u>17,185</u>	<u>39,983</u>	<u>0</u>	<u>0</u>	<u>57,168</u>
Total Capital Assets, Not being depreciated	<u>1,135,881</u>	<u>39,983</u>	<u>0</u>	<u>0</u>	<u>1,175,864</u>
Capital Assets, being depreciated:					
Buildings & Improvements	30,988,589	0	0		30,988,589
Furniture, Equipment & Machinery	<u>2,053,231</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,053,231</u>
Total Capital Assets, being depreciated	<u>33,041,820</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,041,820</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	(20,005,482)	(984,626)	0	0	(20,990,108)
Furniture, Equipment and Machinery	<u>(1,864,615)</u>	<u>(89,851)</u>	<u>0</u>	<u>0</u>	<u>(1,954,466)</u>
Total Accumulated Depreciation:	<u>(21,870,097)</u>	<u>(1,074,477)</u>	<u>0</u>	<u>0</u>	<u>22,944,574)</u>
Total Capital Assets, being depreciated, net	<u>11,171,723</u>	<u>(1,074,477)</u>	<u>0</u>	<u>0</u>	<u>10,097,246</u>
Capital Assets, Net	<u>\$12,307,604</u>	<u>\$ (1,034,494)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$11,273,110</u>

There were no major construction projects in process at the fiscal year ending December 31, 2019.

Depreciation expense for the year was: \$1,074,477

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(Continued)

NOTE 9 - Accounts Payable:

Accounts payable at December 31, 2019, consist of the following:

Vendors' Accounts Payable	\$ 74,813
Tenant Security Deposits	69,730
Payment in Lieu of Taxes (PILOT)	19,475
Accrued Absences-Current	14,482
Individual Savings Accounts Payable	6,699
Accrued Wage/Payroll Taxes Payable	<u>7,442</u>
 TOTAL	 <u>\$ 192,641</u>

NOTE 10 - Unearned Revenue:

Unearned Revenue at December 31, 2019, consists of the following:

Tenant prepaid rents	<u>\$ 15,867</u>
----------------------	------------------

NOTE 11 - Noncurrent Liabilities:

Noncurrent liabilities at December 31, 2019, consist of the following:

Family Self-Sufficiency (FSS) Escrow Deposits	\$ 128,650
Energy Performance Contract (EPC) Loan Payable	2,534,281
Construction Loan Payable	399,996
Accrued Absences-Noncurrent	<u>38,710</u>
 Total	 <u>\$3,101,637</u>

	<u>12/31/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/19</u>	<u>Current Portion</u>	<u>Total</u>
FSS Escrow Deposits	\$ 153,089	\$ 67,719	\$ 92,158	\$ 128,650	\$ 0	\$ 128,650
EPC Loan Payable	2,674,922	0	140,641	2,534,281	0	2,534,281
Construction Loan Payable	416,952	0	8,081	408,871	8,875	399,996
Accrued Absences	<u>56,901</u>	<u>0</u>	<u>3,709</u>	<u>53,192</u>	<u>14,482</u>	<u>38,710</u>
 Noncurrent Liabilities	 <u>\$3,301,864</u>	 <u>\$ 67,719</u>	 <u>\$ 244,589</u>	 <u>\$3,124,994</u>	 <u>\$ 23,357</u>	 <u>\$3,101,637</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 8,875	\$ 19,541	\$ 28,416
2021	57,431	235,024	292,455
2022	160,862	131,593	292,455
2023	168,394	124,061	292,455
2024	175,963	116,492	292,455
2025-2029	1,012,893	449,381	1,462,274
2030-2034	1,141,401	188,854	1,330,255
2035-2039	101,219	40,861	142,080
2040-2044	<u>116,114</u>	<u>13,463</u>	<u>129,577</u>
 Total	 <u>\$2,943,152</u>	 <u>\$1,319,270</u>	 <u>\$4,262,422</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(Continued)

NOTE 12 - Federal Operating Grants:

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

Low Rent Public Housing	\$ 2,270,335
Housing Choice Vouchers	4,142,613
Capital Fund Grants	645,921
ROSS Grants	<u>106,464</u>
TOTAL	<u>\$ 7,165,333</u>

NOTE 13 - Federal Capital Grants:

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended December 31, 2019, were \$39,983.

Capital Fund	<u>\$ 39,983</u>
--------------	------------------

NOTE 14 - Contingencies:

Litigation - On or about January 13, 2020, the Authority was served with a Complaint for Damages alleging negligence on the part of the Authority concerning pest control. The claim alleges injury on behalf of the Claimant on or about February 10, 2019, from bed bugs. The Authority's liability insurance carrier has provided counsel and defense. This litigation is pending, and the Authority has cooperated with discovery at this point. No settlement has been discussed at this time.

Additionally, on or about October 25, 2019, the Authority was served with a Complaint for Damages and Request for Jury Trial alleging negligence on the part of the Authority concerning an alleged slip and fall at one of the Authority's properties. The claim alleges injury on behalf of the Claimant on or about October 18, 2018, from falling due to wet conditions on the floor of one of the properties of the Authority. The Authority's liability insurance carrier has provided counsel and defense. This litigation is pending, and the Authority has cooperated with discovery at this point. No settlement has been discussed at this time.

Examinations - 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, 2019.

Grant Disallowances - Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, would constitute a liability of the Authority. The amounts, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Construction Projects - There were no major construction projects in process at December 31, 2019.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(Continued)

Note 15 - Risk Management:

The Authority is exposed to various risks of losses 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 coverage for these risks to the extent deemed prudent by Authority management. Settled claims have not exceeded this coverage in any of the past three years.

NOTE 16 - Economic Dependency:

The Authority receives approximately 86% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE 17 - Conduit Type Debt:

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

HUD no longer provides the Authority with debt services information since the Authority has no obligation for the debt.

Note 18 - Defined Contribution Plan:

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 received depends solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after six months of full-time employment or if the employee worked at least 2000 hours the preceding year. The Authority contributes an amount equal to 9% of the employee base salary each month. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after 5 years. The Authority's total pension contribution in fiscal year ending December 31, 2019, was \$133,779. Total annual payroll expense was \$1,517,336.

The Board of Directors has the authority to establish or amend the plan provisions. The Board of Directors has the authority to establish or amend the contributions to the plan.

No pension plan provision changes occurred during the year that affected the required contributions to be made by the Authority. The Authority's pension 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, 2019.

Basis of Accounting

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

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(Continued)

NOTE 19 - Subsequent Events:

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes.

The Kokomo Housing Authority had submitted applications to the Rental Assistance Demonstration Program (RAD). These applications have been approved, and KHA was issued Commitment to Enter into a Housing Assistance Payments Contract (CHAP) awards in December 2019. The following items have been completed: a needs assessment, a market study, appraisals, a Phase I Environmental Site Assessment, surveys, and title inspections. Currently we are awaiting approval of the financing plan and anticipate closing on RAD 11 within the next six months. As a result, the Kokomo Housing Authority will be converting to Project Based Vouchers (PBV) under the guideline 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.

As part of the RAD II conversion, we will be transferring subsidy from 36 scattered sites and four three-bedroom units to build Trailside Townhomes which will consist of 45 new units of affordable housing constructed by Advantix. This will be a \$7.3 million development through a public-private partnership which will provide any additional needed funding.

Through a Supportive Housing initiative with IHCD and other community partners, KHA will provide 35 permanent supportive housing units for families and individuals affected by substance abuse disorders. This building has been named Sargent Place and will also be constructed by Advantix.

As with all businesses and individuals, the Authority has been impacted by the COVID-19 pandemic since the balance sheet date.

Management has evaluated the activity of the Authority through June 25, 2020, 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, 2019

	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	\$ 964,660	\$ 159,479	\$ 0	\$ 372,395
Accounts receivable, net	46,846	0	0	362
Interprogram	0	0	0	53,017
Prepaid expenses	71,253	0	0	0
Inventory, net	0	0	0	34,749
Total Current Assets	1,082,759	159,479	0	460,523
<u>Noncurrent Assets</u>				
Restricted assets				
Restricted Cash and Investments	312,271	85,225	0	52,857
Notes and Mortgages receivable	21,000	0	0	0
Capital assets				
Land and other nondepreciable assets	1,052,419	0	0	123,445
Depreciable capital assets, net	9,173,161	0	0	289,553
Total Capital Assets	10,225,580	0	0	412,998
Total Noncurrent Assets	10,558,851	85,225	0	465,855
TOTAL ASSETS	11,641,610	244,704	0	926,378
<u>LIABILITIES</u>				
<u>Current liabilities</u>				
Accounts payable	164,468	3,204	0	23,393
Current portion of long term debt	0	0	0	0
Interprogram	53,017	0	0	0
Unearned revenue	15,867	0	0	0
Total current liabilities	233,352	3,204	0	23,393
<u>Noncurrent liabilities</u>				
Other noncurrent liabilities	81,732	56,164	0	29,464
Long term debt	2,534,281	0	0	0
Total Noncurrent liabilities	2,616,013	56,164	0	29,464
TOTAL LIABILITIES	2,849,365	59,368	0	52,857
<u>NET POSITION</u>				
Unrestricted	1,050,742	156,275	0	460,523
Restricted	50,204	29,061	0	0
Net investment in capital assets	7,691,299	0	0	412,998
TOTAL NET POSITION	\$ 8,792,245	\$ 185,336	\$ 0	\$ 873,521

<u>C-941</u>		<u>C-2034</u>			
<u>Capital</u>	<u>Section 8</u>	<u>Business</u>	<u>Interfund</u>		
<u>Fund</u>	<u>Mainstream</u>	<u>Activities</u>	<u>Elimination</u>	<u>Total</u>	
<u>Program</u>	<u>Voucher</u>				
\$ 0	\$ 235	\$ 9,382	\$ 0	\$ 1,506,151	
0	0	698	0	47,906	
0	0	0	(53,017)	0	
0	0	2,155	0	73,408	
0	0	0	0	34,749	
<u>0</u>	<u>235</u>	<u>12,235</u>	<u>(53,017)</u>	<u>1,662,214</u>	
0	56,683	1,576	0	508,612	
0	0	0	0	21,000	
0	0	0	0	1,175,864	
0	0	634,532	0	10,097,246	
<u>0</u>	<u>0</u>	<u>634,532</u>	<u>0</u>	<u>11,273,110</u>	
<u>0</u>	<u>56,683</u>	<u>636,108</u>	<u>0</u>	<u>11,781,722</u>	
<u>0</u>	<u>56,918</u>	<u>648,343</u>	<u>(53,017)</u>	<u>13,464,936</u>	
0	0	1,576	0	192,641	
0	0	8,875	0	8,875	
0	0	0	(53,017)	0	
0	0	0	0	15,867	
<u>0</u>	<u>0</u>	<u>10,451</u>	<u>(53,017)</u>	<u>217,383</u>	
0	0	0	0	167,360	
0	0	399,996	0	2,934,277	
<u>0</u>	<u>0</u>	<u>399,996</u>	<u>0</u>	<u>3,101,637</u>	
<u>0</u>	<u>0</u>	<u>410,447</u>	<u>(53,017)</u>	<u>3,319,020</u>	
0	235	10,326	0	1,678,101	
0	56,683	1,909	0	137,857	
0	0	225,661	0	8,329,958	
<u>\$ 0</u>	<u>\$ 56,918</u>	<u>\$ 237,896</u>	<u>\$ 0</u>	<u>\$ 10,145,916</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, 2019

	C-941	C-2034
	Low Income Public Housing	Section 8 Housing Choice Voucher Program
<u>OPERATING REVENUES</u>		Ar
Rental income	\$ 1,040,073	\$ 0
Other income	29,048	23,535
TOTAL OPERATING REVENUE	1,069,121	23,535
<u>OPERATING EXPENSES</u>		
Administrative	920,682	337,450
Tenant services	228,758	21,416
Utilities	790,567	1,299
Ordinary maintenance and operation	1,302,849	9,400
Protective services	13,133	0
General expense	319,002	14,190
Housing assistance payments	0	3,672,378
Depreciation expense	1,032,847	0
TOTAL OPERATING EXPENSES	4,607,838	4,056,133
 OPERATING INCOME (LOSS)	 (3,538,717)	 (4,032,598)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Federal operating grants	2,270,335	4,070,567
Gain on sale of capital assets	0	0
Interest expense	0	0
Interest income	13,146	559
TOTAL NONOPERATING REVENUES (EXPENSES)	2,283,481	4,071,126
 INCOME (LOSS) BEFORE OTHER REVENUES	 (1,255,236)	 38,528
CAPITAL CONTRIBUTIONS	0	0
 INCREASE (DECREASE) IN NET POSITION	 (1,255,236)	 38,528
 NET POSITION - BEGINNING OF YEAR, as originally stated	 9,338,760	 123,992
Equity transfers	708,721	22,816
 NET POSITION - BEGINNING OF YEAR, as restated	 10,047,481	 146,808
 NET POSITION, END OF YEAR	 \$ 8,792,245	 \$ 185,336

Annual Contributions Contracts

C-941 Resident Opportunity & Supportive Services	C-941 Central Office Cost Center	C-941 Capital Fund Programs	C-2034 Section 8 Mainstream Voucher	Business Activities	Elimination	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,342	\$ 0	\$ 1,074,415
0	696,384	0	0	36	(688,904)	60,099
<u>0</u>	<u>696,384</u>	<u>0</u>	<u>0</u>	<u>34,378</u>	<u>(688,904)</u>	<u>1,134,514</u>
0	643,777	0	3,347	425	(688,904)	1,216,777
60,831	0	0	0	0	0	311,005
0	21,582	0	11	1,114	0	814,573
0	20,413	0	83	10,060	0	1,342,805
0	599	0	0	0	0	13,732
0	37,458	0	125	3,344	0	374,119
0	0	0	27,063	0	0	3,699,441
0	22,159	0	0	19,471	0	1,074,477
<u>60,831</u>	<u>745,988</u>	<u>0</u>	<u>30,629</u>	<u>34,414</u>	<u>(688,904)</u>	<u>8,846,929</u>
(60,831)	(49,604)	0	(30,629)	(36)	0	(7,712,415)
106,464	0	645,921	72,046	0	0	7,165,333
0	0	0	0	0	0	0
0	0	0	0	(21,121)	0	(21,121)
0	5,471	0	0	1	0	19,177
<u>106,464</u>	<u>5,471</u>	<u>645,921</u>	<u>72,046</u>	<u>(21,120)</u>	<u>0</u>	<u>7,163,389</u>
45,633	(44,133)	645,921	41,417	(21,156)	0	(549,026)
0	0	39,983	0	0	0	39,983
45,633	(44,133)	685,904	41,417	(21,156)	0	(509,043)
0	917,654	0	15,501	259,052	0	10,654,959
(45,633)	0	(685,904)	0	0	0	0
(45,633)	917,654	(685,904)	15,501	259,052	0	10,654,959
<u>\$ 0</u>	<u>\$ 873,521</u>	<u>\$ 0</u>	<u>\$ 56,918</u>	<u>\$ 237,896</u>	<u>\$ 0</u>	<u>\$ 10,145,916</u>

Kokomo Housing Authority (IN007)
KOKOMO, IN
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$964,660		\$156,275	\$235	\$9,049	\$372,395	\$1,502,614		\$1,502,614
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted	\$138,635		\$85,225	\$56,663	\$333	\$29,464	\$310,340		\$310,340
114 Cash - Tenant Security Deposits	\$68,380				\$1,350		\$69,730		\$69,730
115 Cash - Restricted for Payment of Current Liabilities	\$105,256		\$3,204		\$226	\$23,393	\$132,079		\$132,079
100 Total Cash	\$1,276,931	\$0	\$244,704	\$56,918	\$10,958	\$425,252	\$2,014,763	\$0	\$2,014,763
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects	\$53,017					\$107	\$53,124		\$53,124
124 Accounts Receivable - Other Government									
125 Accounts Receivable - Miscellaneous						\$255	\$255		\$255
126 Accounts Receivable - Tenants	\$18,666				\$1,662		\$20,328		\$20,328
126.1 Allowance for Doubtful Accounts - Tenants	-\$10,278				-\$964		-\$11,242		-\$11,242
126.2 Allowance for Doubtful Accounts - Other	-\$25,125					\$0	-\$25,125		-\$25,125
127 Notes, Loans, & Mortgages Receivable - Current	\$14,850						\$14,850		\$14,850
128 Fraud Recovery	\$1,641		\$101,187				\$102,828		\$102,828
128.1 Allowance for Doubtful Accounts - Fraud	-\$5,925		-\$101,187				-\$107,112		-\$107,112
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$46,846	\$0	\$0	\$0	\$698	\$362	\$47,906	\$0	\$47,906
131 Investments - Unrestricted									
132 Investments - Restricted									
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$71,253				\$2,155		\$73,408		\$73,408
143 Inventories						\$38,151	\$38,151		\$38,151
143.1 Allowance for Obsolete Inventories						-\$3,402	-\$3,402		-\$3,402
144 Inter Program Due From						\$53,017	\$53,017	-\$53,017	\$0
145 Assets Held for Sale									
150 Total Current Assets	\$1,395,030	\$0	\$244,704	\$56,918	\$13,811	\$513,380	\$2,223,843	-\$53,017	\$2,170,826
161 Land	\$995,251					\$123,445	\$1,118,696		\$1,118,696
162 Buildings	\$29,325,210				\$745,529	\$917,850	\$30,988,589		\$30,988,589
163 Furniture, Equipment & Machinery - Dwellings	\$1,058,580				\$5,827		\$1,064,407		\$1,064,407
164 Furniture, Equipment & Machinery - Administration	\$674,637		\$5,159			\$309,028	\$988,824		\$988,824
165 Leasehold Improvements									
166 Accumulated Depreciation	-\$21,885,266		-\$5,159		-\$116,824	-\$937,325	-\$22,944,574		-\$22,944,574
167 Construction in Progress	\$57,168						\$57,168		\$57,168

508.4 Net Investment in Capital Assets	\$7,691,299	\$0	\$0	\$0	\$225,661	\$412,998	\$8,329,958		\$8,329,958
511.4 Restricted Net Position	\$50,204	\$0	\$29,061	\$56,683	\$1,909	\$0	\$137,857		\$137,857
512.4 Unrestricted Net Position	\$1,050,742	\$0	\$156,275	\$235	\$10,326	\$460,523	\$1,678,101		\$1,678,101
513 Total Equity - Net Assets / Position	\$8,792,245	\$0	\$185,336	\$56,918	\$237,896	\$873,521	\$10,145,916	\$0	\$10,145,916
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$11,641,610	\$0	\$244,704	\$56,918	\$648,343	\$926,378	\$13,517,953	-\$53,017	\$13,464,936

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

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,879 Mainstream Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$950,436				\$32,071		\$982,507		\$982,507
70400 Tenant Revenue - Other	\$89,637				\$2,271		\$91,908		\$91,908
70500 Total Tenant Revenue	\$1,040,073	\$0	\$0	\$0	\$34,342	\$0	\$1,074,415	\$0	\$1,074,415
70600 HUD PHA Operating Grants	\$2,916,256	\$106,464	\$4,070,567	\$72,046			\$7,165,333		\$7,165,333
70610 Capital Grants	\$39,983						\$39,983		\$39,983
70710 Management Fee						\$514,522	\$514,522	-\$514,522	\$0
70720 Asset Management Fee						\$65,880	\$65,880	-\$65,880	\$0
70730 Book Keeping Fee						\$108,502	\$108,502	-\$108,502	\$0
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue						\$688,904	\$688,904	-\$688,904	\$0
70800 Other Government Grants									
71100 Investment Income - Unrestricted	\$12,821		\$559			\$5,471	\$18,851		\$18,851
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery			\$17,985				\$17,985		\$17,985
71500 Other Revenue	\$29,048		\$5,550		\$36	\$7,480	\$42,114		\$42,114
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted	\$325				\$1		\$326		\$326
70000 Total Revenue	\$4,038,506	\$106,464	\$4,094,661	\$72,046	\$34,379	\$701,855	\$9,047,911	-\$688,904	\$8,359,007
91100 Administrative Salaries	\$255,734		\$155,790	\$1,381		\$467,493	\$880,398		\$880,398
91200 Auditing Fees	\$7,554		\$3,170				\$10,724		\$10,724
91300 Management Fee	\$484,522		\$29,737	\$263			\$514,522	-\$514,522	\$0
91310 Book-keeping Fee	\$46,882		\$60,592	\$1,028			\$108,502	-\$108,502	\$0
91400 Advertising and Marketing									
91500 Employee Benefit contributions - Administrative	\$76,343		\$52,697	\$467		\$146,298	\$275,805		\$275,805
91600 Office Expenses	\$38,023		\$16,776	\$149	\$4	\$21,579	\$76,531		\$76,531
91700 Legal Expense	-\$62		\$300			\$3,283	\$3,521		\$3,521
91800 Travel	\$29					\$66	\$95		\$95
91810 Allocated Overhead									
91900 Other	\$17,003		\$18,974	\$59	\$421	\$2,837	\$39,294		\$39,294
91000 Total Operating - Administrative	\$926,028	\$0	\$338,036	\$3,347	\$425	\$641,556	\$1,909,392	-\$623,024	\$1,286,368
92000 Asset Management Fee	\$65,880						\$65,880	-\$65,880	\$0
92100 Tenant Services - Salaries	\$126,430	\$48,175	\$18,306				\$192,911		\$192,911

92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services	\$21,649	\$8,154	\$3,110				\$32,913		\$32,913
92400 Tenant Services - Other	\$14,799	\$4,502					\$19,301		\$19,301
92500 Total Tenant Services	\$162,878	\$60,831	\$21,416	\$0	\$0	\$0	\$245,125	\$0	\$245,125
93100 Water	\$86,020		\$161	\$1	\$184	\$1,042	\$87,408		\$87,408
93200 Electricity	\$259,403		\$370	\$3	\$819	\$14,387	\$274,982		\$274,982
93300 Gas	\$124,980		\$554	\$5		\$4,980	\$130,519		\$130,519
93400 Fuel									
93500 Labor									
93600 Sewer	\$147,242		\$214	\$2	\$111	\$1,173	\$148,742		\$148,742
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense	\$172,922						\$172,922		\$172,922
93000 Total Utilities	\$790,567	\$0	\$1,299	\$11	\$1,114	\$21,582	\$814,573	\$0	\$814,573
94100 Ordinary Maintenance and Operations - Labor	\$435,988		\$115	\$1		\$735	\$436,839		\$436,839
94200 Ordinary Maintenance and Operations - Materials and Other	\$207,534		\$1,885	\$17	\$3,923	\$6,661	\$220,020		\$220,020
94300 Ordinary Maintenance and Operations Contracts	\$512,740		\$7,391	\$65	\$6,137	\$12,921	\$539,254		\$539,254
94500 Employee Benefit Contributions - Ordinary Maintenance	\$136,659		\$9			\$56	\$136,724		\$136,724
94000 Total Maintenance	\$1,292,921	\$0	\$9,400	\$83	\$10,060	\$20,373	\$1,332,837	\$0	\$1,332,837
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs	\$13,133					\$599	\$13,732		\$13,732
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95000 Total Protective Services	\$13,133	\$0	\$0	\$0	\$0	\$599	\$13,732	\$0	\$13,732
96110 Property Insurance	\$164,233		\$2,353	\$21	\$1,380	\$11,317	\$179,304		\$179,304
96120 Liability Insurance	\$32,637		\$5,968	\$53	\$1,000	\$9,911	\$49,569		\$49,569
96130 Workmen's Compensation	\$15,737		\$2,875	\$25		\$6,648	\$25,285		\$25,285
96140 All Other Insurance	\$18,398		\$1,286	\$11		\$6,005	\$25,700		\$25,700
96100 Total insurance Premiums	\$231,005	\$0	\$12,482	\$110	\$2,380	\$33,881	\$279,858	\$0	\$279,858
96200 Other General Expenses	\$5,757		\$1,708	\$15		\$3,577	\$11,057		\$11,057
96210 Compensated Absences	-\$5,346		-\$586			\$2,221	-\$3,711		-\$3,711
96300 Payments in Lieu of Taxes	\$19,475						\$19,475		\$19,475
96400 Bad debt - Tenant Rents	\$62,765				\$964		\$63,729		\$63,729
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$82,651	\$0	\$1,122	\$15	\$964	\$5,798	\$90,550	\$0	\$90,550
96710 Interest of Mortgage (or Bonds) Payable					\$21,121		\$21,121		\$21,121
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	\$0	\$21,121	\$0	\$21,121	\$0	\$21,121
96900 Total Operating Expenses	\$3,565,063	\$60,831	\$383,755	\$3,565	\$36,054	\$723,789	\$4,773,068	-\$688,904	\$4,084,164

97000 Excess of Operating Revenue over Operating Expenses	\$473,443	\$45,633	\$3,710,906	\$68,480	-\$1,685	-\$21,934	\$4,274,843	\$0	\$4,274,843
97100 Extraordinary Maintenance									
97200 Casualty Losses - Non-capitalized	\$9,928					\$40	\$9,968		\$9,968
97300 Housing Assistance Payments			\$3,672,378	\$27,063			\$3,699,441		\$3,699,441
97350 HAP Portability-In									
97400 Depreciation Expense	\$1,032,847				\$19,471	\$22,159	\$1,074,477		\$1,074,477
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$4,607,838	\$60,831	\$4,056,133	\$30,629	\$55,535	\$745,988	\$9,556,954	-\$688,904	\$8,868,050
10010 Operating Transfer In	\$219,057						\$219,057	-\$219,057	\$0
10020 Operating transfer Out	-\$219,057						-\$219,057	\$219,057	\$0
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	\$22,817		\$22,816				\$45,633	-\$45,633	\$0
10094 Transfers between Project and Program - Out		-\$45,633					-\$45,633	\$45,633	\$0
10100 Total Other financing Sources (Uses)	\$22,817	-\$45,633	\$22,816	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$546,515	\$0	\$61,344	\$41,417	-\$21,156	-\$44,133	-\$509,043	\$0	-\$509,043
11020 Required Annual Debt Principal Payments	\$138,295	\$0	\$0	\$0	\$8,875	\$0	\$147,170		\$147,170
11030 Beginning Equity	\$9,338,760	\$0	\$123,992	\$15,501	\$259,052	\$917,654	\$10,654,959		\$10,654,959
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors									
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			\$156,275				\$156,275		\$156,275
11180 Housing Assistance Payments Equity			\$29,061				\$29,061		\$29,061
11190 Unit Months Available	6048		8400	228	48		14724		14724
11210 Number of Unit Months Leased	5711		8235	73	40		14059		14059
11270 Excess Cash	\$690,990						\$690,990		\$690,990
11610 Land Purchases	\$0					\$0	\$0		\$0
11620 Building Purchases	\$39,983					\$0	\$39,983		\$39,983
11630 Furniture & Equipment - Dwelling Purchases	\$0					\$0	\$0		\$0

11640 Furniture & Equipment - Administrative Purchases	\$0					\$0	\$0		\$0
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, 2019

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, 2019

<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 Indian Housing	14.850	\$ 2,270,335	\$ 2,270,335
C-941	Resident Opportunity and Supportive Services	14.870	236,028	106,464
C-2034	Housing Voucher Cluster Section 8 Housing Choice Voucher	14.871	4,070,567	4,070,567
	Mainstream Vouchers	14.879	72,046	72,046
	Total Housing Voucher Cluster		<u>6,648,976</u>	<u>6,519,412</u>
C-941	Public Housing Capital Fund	14.872	<u>2,878,936</u>	<u>685,904</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 9,527,912</u>	<u>\$ 7,205,316</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, 2019. 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 not 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, 2019, 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 June 25, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

I noted certain matters that I reported to the management of the Housing Authority of the City of Kokomo in a separate letter dated June 25, 2020.

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
June 25, 2020

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, 2019. 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, 2019.

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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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
June 25, 2020

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

DECEMBER 31, 2019

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, 2019

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.