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August 18, 2021

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, 2020 to December 31, 2020. 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, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Goldie Roberts, CPA, prepared the audit report 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, 2020

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, 2020

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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, 2020, 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, 2020, 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 July 29, 2021 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
July 29, 2021

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis
December 31, 2020

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, 2020. 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, 2020
(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 510 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 726 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.

Affordable Housing Program

During 2020, the subsidy for forty (40) units of LIPH housing, consisting of thirty-six scattered site houses and four three-bedroom units, was transferred to build Trailside Townhomes which consists of 45 new units of affordable housing constructed by Advantix. The units are still owned by the Authority under the management of the Central Cost Center to be leased at market rate rents.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis
December 31, 2020
(Continued)

Overview of the Financial Statements
(Continued)

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.

Condensed Comparative Financial Statements

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

Total Assets for FYE 12/31/20 were \$13,195,423 and at FYE 12/31/19 they were \$13,464,936. This represents a net decrease of \$269,513.

Current Assets increased by \$574,682. Cash increased due to higher HUD subsidies and grants and more resident fraud recovery, and lower administrative and maintenance expenses. Prepaid expenses increased due to 2021 insurance expense being paid in 2020.

Capital Assets decreased by \$841,570. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Non-Current Assets decreased by \$2,625. This was the annual reduction in silent second mortgages for residents who purchased a scattered site.

Current Liabilities increased by \$27,302. Although there was a decrease in accounts payable and tenant security deposits, HUD prepaid Cares Act Funding for the HCV program which is classified as unearned income until spent.

Noncurrent Liabilities decreased by \$224,573 due to a decrease in Family Self-Sufficiency escrows and in long-term debt for two loans.

The table below illustrated our analysis:

	12/31/2020	12/31/2019	Net Change
Current Assets	\$ 2,745,508	\$ 2,170,826	\$ 574,682
Capital Assets, Net	10,431,540	11,273,110	(841,570)
Non-Current Assets	<u>18,375</u>	<u>21,000</u>	<u>(2,625)</u>
Total Assets	<u>13,195,423</u>	<u>13,464,936</u>	<u>(269,513)</u>
Current Liabilities	219,685	217,383	2,302
Noncurrent Liabilities	<u>2,902,064</u>	<u>3,101,637</u>	<u>(199,573)</u>
Total Liabilities	<u>\$ 3,121,749</u>	<u>\$ 3,319,020</u>	<u>\$ (197,271)</u>

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2020

(Continued)

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

Unrestricted	\$ 2,192,049	\$ 1,678,101	\$ 513,948
Restricted	238,290	137,857	100,433
Investment in Capital Assets	<u>7,643,335</u>	<u>8,329,958</u>	<u>(686,623)</u>
Total Net Position	<u>\$10,073,674</u>	<u>\$10,145,916</u>	<u>\$ (72,242)</u>

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 12/31/2020 were as follows:

Program	Revenues Generated
Low Income Public Housing	\$ 3,496,745
Section 8 HCV	\$ 4,358,788
Affordable Housing	\$ 12,431
Capital Fund Program	\$ 828,707
ROSS Grants	\$ 114,262
Business Activities	\$ 35,243

Total revenues for FYE 12/31/2020 were \$8,846,176 as compared to the total revenues for FYE 12/31/2019 of \$8,359,007. Comparatively, FYE 12/31/2020 revenues increased from FYE 12/31/2019 revenues by \$487,169.

	12/31/2020	12/31/2019	Net Change
Total Tenant Revenue	\$ 929,175	\$1,074,415	\$(145,240)
HUD Operating Grants	7,646,116	7,165,333	480,783
Capital Grants	183,970	39,983	143,987
Investment Income	5,760	19,177	(13,417)
Other Revenue	<u>81,155</u>	<u>60,099</u>	<u>21,056</u>
Total Revenue	<u>\$8,846,176</u>	<u>\$8,359,007</u>	<u>\$ 487,169</u>

Analysis of Entity Wide Expenditures

Total Expenditures for FYE 12/31/2020 were \$8,918,418, as compared to \$8,868,050 total expenditures for FYE 12/31/2019. Comparatively, FYE 12/31/2020 expenditures increased from FYE 12/31/2019 expenditures by \$50,368. Changes to major expense categories will be presented below.

Administrative expenditures decreased by \$62,371. Salaries and benefits paid by the operating budget decreased by \$88,495 because salaries and benefits paid by Cares Act funding were to be allocated to Tenant Services expenditures. Office, legal and other expenses increased by \$26,124.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis

December 31, 2020

(Continued)

Analysis of Entity Wide Expenditures (continued)

Tenant Services expenditures increased by \$379,642. Normal salaries and benefits paid from the operating budget decreased by \$27,462, but salaries and benefits paid by Cares Act funding increased by \$278,417 and covered administrative, tenant services, and maintenance. Normal tenant services decreased by \$2,074, but tenant services paid by Cares Act funding increased by \$130,761. Any items purchased to prevent, prepare for, and respond to COVID-19 were to be allocated to this expense.

Utilities decreased by \$51,886. Electricity decreased by \$9,439, water by \$3,300, gas by \$5,861, and sewer by \$14,489 due to increased vacancies caused by the pending RAD conversion. Other utilities expense decreased by \$18,797.

Maintenance expenditures decreased by \$233,335. Salaries and benefits paid by the operating budget decreased by \$89,433 because salaries and benefits paid by Cares Act funding were to be allocated to Tenant Services expenditures. There was a decrease of \$43,062 in maintenance materials and a decrease of \$99,840 in contract costs also because of increased vacancies caused by the RAD conversion.

General Expenses decreased by \$17,199. Insurance expenses increased by \$20,477. Tenant bad debts decreased by \$14,535 and PILOT expense by \$13,288. Casualty losses decreased by \$11,561. Miscellaneous general expenses increased by \$1,708.

Housing Assistance Payments to landlords increased by \$64,000.

Depreciation Expense decreased by \$28,989.

The table below illustrates our analysis:

	12/31/2020	12/31/2019	Net Change
Administrative	\$1,223,997	\$1,286,368	\$ (62,371)
Tenant Services	624,767	245,125	379,642
Utilities	762,687	814,573	(51,886)
Maintenance	1,113,234	1,346,569	(233,335)
General Expense	363,177	380,376	(17,199)
Interest	21,627	21,121	506
Housing Assistance Payments	3,763,441	3,699,441	64,000
Depreciation Expense	<u>1,045,488</u>	<u>1,074,477</u>	<u>(28,989)</u>
Total Expenses	<u>\$8,918,418</u>	<u>\$8,868,050</u>	<u>\$ 50,368</u>

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis
December 31, 2020
(Continued)

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 Budgetary Highlights

	Budget	Actual	Variance
Tenant Revenues	\$ 930,250	\$ 929,175	\$ (1,075)
HUD Operating Grants	7,836,320	7,646,116	(190,204)
HUD Capital Grants	183,970	183,970	0
Investment Income	5,681	5,760	79
Fraud Recovery	41,200	41,200	0
Other Revenue	44,591	39,955	(4,636)
Total Revenue	<u>9,042,012</u>	<u>8,846,176</u>	<u>(195,836)</u>
Administrative	\$1,197,826	\$1,223,997	\$ (26,171)
Tenant Services	675,783	624,767	51,016
Utilities	829,986	762,687	67,299
Maintenance	1,110,106	1,113,234	(3,128)
General Expense	360,732	363,177	(2,445)
Interest Expense	21,627	21,627	0
Housing Assistance Payments	3,788,436	3,763,441	24,995
Depreciation Expense	1,045,488	1,045,488	0
Total Expenses	<u>9,029,984</u>	<u>8,918,418</u>	<u>111,566</u>
Net Income/(Loss)	<u>\$ 12,028</u>	<u>\$ (72,242)</u>	<u>\$ (84,270)</u>

Analysis of Capital Asset Activity

Land remained the same during 2020.

Buildings & Leasehold Improvements remained the same during 2020.

Furniture, Equipment & Machinery - Dwelling decreased by \$33,317 due to the disposals of capital assets.

Furniture, Equipment & Machinery - Administration decreased by \$205,980. A decrease of \$225,926 was due to the disposals of capital assets, and an increase of \$19,947 was due to purchases of capital assets.

Housing Authority of the City of Kokomo
Kokomo, Indiana

Management's Discussion and Analysis
December 31, 2020
(Continued)

Analysis of Capital Asset Activity (continued)

Construction in Progress increased by \$183,970 from an increase in capital assets from open Capital Grants.

Accumulated Depreciation increased by \$786,243. The current year's depreciation was \$1,045,487. A decrease of \$259,244 was from the sale and disposal of capital assets.

	12/31/2020	12/31/2019	Net Change
Land	\$ 1,118,696	\$ 1,118,696	\$ 0
Buildings	30,988,589	30,988,589	0
Furniture/Equip./Machinery-Dwell	1,031,090	1,064,407	(33,317)
Furniture/Equip./Machinery-Admin	782,844	988,824	(205,980)
Construction in Progress	241,138	57,168	183,970
Total Capital Assets	<u>34,162,357</u>	<u>34,217,684</u>	<u>(55,327)</u>
Accumulated Depreciation	<u>(23,730,817)</u>	<u>(22,944,574)</u>	<u>(786,243)</u>
Net Capital Assets	<u>\$ 10,431,540</u>	<u>\$ 11,273,110</u>	<u>\$ (841,570)</u>

More detailed information about the capital assets is presented in the Notes to the Financial Statements.

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, title inspections, and the closing of the RAD II Conversion through which subsidy was transferred from 36 scattered site houses and four three-bedroom units to build Trailside Townhomes which consists of 45 new units of affordable housing constructed by Advantix. This was a \$7.3 million development through a public-private partnership which provided any additional needed funding.

Currently we are awaiting approval of the financing plan and anticipate closing on RAD I as of September 1, 2021. As a result, the Kokomo Housing Authority will be converting 335 Low Income Public Housing units 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.

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, 2020

ASSETS

Current Assets

Cash	\$ 2,060,222
Accounts receivable, net	65,560
Prepaid expenses	100,860
Inventory, net	34,925
Total Current Assets	<u>2,261,567</u>

Noncurrent Assets

Restricted assets

Restricted cash and investments	502,316
Notes and Mortgages receivable	<u>0</u>

Capital assets

Land and other nondepreciable assets	1,359,834
Depreciable capital assets, net	9,071,706
Total Capital Assets	<u>10,431,540</u>

Total Noncurrent Assets	<u>10,933,856</u>
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TOTAL ASSETS	<u>13,195,423</u>
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LIABILITIES

Current liabilities

Accounts payable	135,745
Current portion of long term debt	9,368
Unearned revenue	74,572
Total current liabilities	<u>219,685</u>

Noncurrent liabilities

Other noncurrent liabilities	123,227
Long term debt	2,778,837
Total Noncurrent liabilities	<u>2,902,064</u>

TOTAL LIABILITIES	<u>3,121,749</u>
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NET POSITION

Unrestricted	2,192,049
Restricted	238,290
Net investment in capital assets	7,643,335

TOTAL NET POSITION	<u>\$ 10,073,674</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, 2020

OPERATING REVENUES

Total rental income	\$ 929,175
Other income	73,890
	1,003,065

TOTAL OPERATING REVENUE 1,003,065

OPERATING EXPENSES

Administrative	1,157,886
Tenant services	689,847
Utilities	762,687
Ordinary maintenance and operation	1,097,333
Protective services	14,308
General expense	365,801
Housing assistance payments	3,763,441
Depreciation expense	1,045,488
	8,896,791

TOTAL OPERATING EXPENSES 8,896,791

OPERATING INCOME (LOSS) (7,893,726)

NONOPERATING REVENUES (EXPENSES)

Federal operating grants	7,646,116
Gain on sale of capital assets	7,265
Interest expense	(21,627)
Interest income	5,760
	7,637,514

TOTAL NONOPERATING REVENUES 7,637,514

INCOME (LOSS) BEFORE OTHER REVENUES (256,212)

CAPITAL CONTRIBUTIONS 183,970

INCREASE (DECREASE) IN NET POSITION (72,242)

NET POSITION, BEGINNING OF YEAR 10,145,916

NET POSITION, END OF YEAR \$ 10,073,674

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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from residents and other deposits	\$ 991,226
Other receipts (payments)	73,890
Payments to suppliers	(2,180,637)
Payments to/for employees	(2,028,617)
Payments to landlords	<u>(3,763,441)</u>
 Net Cash Flows Provided (Used) by Operating Activities	 <u>(6,907,579)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	<u>7,646,116</u>
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>7,646,116</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Federal capital grants received	183,970
Principal paid on notes	(154,947)
Interest expense	(21,627)
Purchase of capital assets	<u>(203,918)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(196,522)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>5,760</u>
Net Cash Flows Provided by Investing Activities	<u>5,760</u>

Net change in cash	547,775
Cash - Beginning of year	<u>2,014,763</u>
Cash - End of year	<u>\$ 2,562,538</u>

Reconciliation of Cash:

Unrestricted	\$ 2,060,222
Restricted	<u>502,316</u>
Total Cash and Cash Equivalents	<u>\$ 2,562,538</u>

Continued

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(CONTINUED)

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ (7,893,726)
Adjustments to reconcile net operating income (loss) to net cash Provided by operating activities:	
Depreciation	1,045,488
(Increase) Decrease in:	
Accounts receivable	3,346
Inventory and prepaid expenses	(27,628)
Increase (Decrease) in:	
Accounts payable	(56,896)
Accrued liabilities	(36,868)
Unearned revenue	<u>58,705</u>
 Net Cash Flows Provided (Used) by Operating Activities	 \$ <u><u>(6,907,579)</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, 2020

NOTE 1 - Summary of Significant Accounting Policies and Organization:

The financial statements of the HOUSING AUTHORITY OF THE CITY OF KOKOMO 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 (LIPH) 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. During 2020, the subsidy for 40 LIPH units was transferred to a RAD project as discussed below in NOTE 20, but the units remained the property of the Authority. Those units are listed below as Affordable Housing and remain part of the Kokomo Housing Authority. 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.

On December 31, 2020, the Housing Authority had 1,280 units in management and was administering other programs as listed below:

<u>Management</u>	
Low-Income Public Housing	510
Section 8 Housing Choice Vouchers	726
Affordable Housing	40
SSHDC	<u>4</u>
TOTAL ALL MANAGEMENT PROGRAMS	<u>1,280</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, 2020
(Continued)

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

	<u>Housing</u> <u>Authority</u>	<u>Component</u> <u>Units</u>	<u>Total</u>
<u>Condensed Statement of Net Position</u>			
Current assets	\$ 2,730,608	\$ 14,900	\$ 2,745,508
Capital Assets	9,816,478	615,062	10,431,540
Non-Current Assets	<u>18,375</u>	<u>0</u>	<u>18,375</u>
Total assets	<u>12,565,461</u>	<u>629,962</u>	<u>13,195,423</u>
Current liabilities	207,042	12,643	219,685
Non-current liabilities	<u>2,510,697</u>	<u>391,367</u>	<u>2,902,064</u>
Total liabilities	<u>2,717,739</u>	<u>404,010</u>	<u>3,121,749</u>
Net investment in capital assets	7,429,008	214,327	7,643,335
Restricted	234,791	3,499	238,290
Unrestricted	<u>2,183,923</u>	<u>8,126</u>	<u>2,192,049</u>
Total Net Position	<u>\$ 12,565,461</u>	<u>\$ 629,962</u>	<u>\$ 13,195,423</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating revenues	\$ 967,839	\$ 35,226	\$ 1,003,065
Operating expenses			
Operating expense - other	(7,845,214)	(27,716)	(7,872,930)
Depreciation expense	(1,026,017)	(19,471)	(1,045,488)
Nonoperating revenue			
Nonoperating revenue - other	13,008	17	13,025
Federal operating grants	<u>7,646,116</u>	<u>0</u>	<u>7,646,116</u>
Net income before capital Contributions	(244,268)	(11,944)	(256,212)
Capital Contributions	<u>183,970</u>	<u>0</u>	<u>183,970</u>
Change in net position	<u>(60,298)</u>	<u>(11,944)</u>	<u>(72,242)</u>
Net Position, beginning of year	<u>9,908,020</u>	<u>237,896</u>	<u>10,145,916</u>
Net Position, end of year	<u>\$ 9,847,722</u>	<u>\$ 225,952</u>	<u>\$ 10,073,674</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(Continued)

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

Condensed Statement of Cash Flows

	Housing <u>Authority</u>	Component <u>Units</u>	<u>Total</u>
Net Cash Provided (Used) by Operating Activities	\$(6,937,736)	\$ 30,157	\$(6,907,579)
Net Cash from Noncapital Financing Activities	7,646,116	0	7,646,116
Net Cash Flows Used by Capital And Related Financing Activities	(166,758)	(29,764)	(196,522)
Net Cash from Investing Activities	<u>5,743</u>	<u>17</u>	<u>5,760</u>
Net Increase in Cash and Cash Equivalents	547,365	410	547,775
Cash - Beginning of Year	<u>2,003,805</u>	<u>10,958</u>	<u>2,014,763</u>
Cash - End of Year	<u>\$ 2,551,170</u>	<u>\$ 11,368</u>	<u>\$ 2,562,538</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, 2020

(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 - Prepays represent payments made to vendors for services that will benefit beyond December 31, 2020.

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, 2020
(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, 2020

(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. On December 31, 2020, 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, 2020
(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 \$2,562,538 at December 31, 2020. Bank balances before reconciling items were \$2,918,910, 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 on December 31, 2020, consist of the following:

Cash/Checking accounts	\$ 2,237,023
Money Market/Savings/CDs	<u>325,515</u>
Total cash and deposits	<u>\$ 2,562,538</u>

NOTE 3 - Accounts Receivable:

Accounts receivable on December 31, 2020, consist of the following:

HUD	\$ 1,183
Notes Receivable, Net of Allowance of \$3,301	1,842
Fraud Recovery Receivable	
Net of Allowance for Doubtful Accounts of \$95,779	505
Tenant Receivables	
Net of Allowance for Doubtful Accounts of \$16,590	61,306
Other	<u>724</u>
Total Accounts Receivable	<u>\$ 65,560</u>

NOTE 4 - Prepaid Expenses:

Prepaid expenses on December 31, 2020, consist of the following:

Prepaid Insurance	\$ 29,606
Prepaid Loan	<u>71,254</u>
Total Prepaid Expenses	<u>\$100,860</u>

NOTE 5 - Inventory:

Inventory, net of allowance of \$3,402	<u>\$ 34,925</u>
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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 on December 31, 2020, consist of the following:

Silent Second Homeownership Mortgages	
Net of Allowance of \$18,375	<u>\$ 0</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(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>12/31/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending Balance <u>12/31/20</u>
Capital assets, not being depreciated:					
Land	\$ 1,118,696	\$ 0	\$ 0	\$ 0	\$ 1,118,696
Construction in Progress	<u>57,168</u>	<u>183,970</u>	<u>0</u>	<u>0</u>	<u>241,138</u>
Total Capital Assets, Not being depreciated	<u>1,175,864</u>	<u>183,970</u>	<u>0</u>	<u>0</u>	<u>1,359,834</u>
Capital Assets, being depreciated:					
Buildings & Improvements	30,988,589	0	0		30,988,589
Furniture, Equipment & Machinery	<u>2,053,231</u>	<u>19,947</u>	<u>(259,244)</u>	<u>0</u>	<u>1,813,934</u>
Total Capital Assets, being depreciated	<u>33,041,820</u>	<u>19,947</u>	<u>(259,244)</u>	<u>0</u>	<u>32,802,523</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	(20,990,108)	(983,950)	0	0	(21,974,058)
Furniture, Equipment and Machinery	<u>(1,954,466)</u>	<u>(61,537)</u>	<u>259,244</u>	<u>0</u>	<u>(1,756,759)</u>
Total Accumulated Depreciation:	<u>(22,944,574)</u>	<u>(1,045,487)</u>	<u>259,244</u>	<u>0</u>	<u>(23,730,817)</u>
Total Capital Assets, being depreciated, net	<u>10,097,246</u>	<u>(1,025,540)</u>	<u>0</u>	<u>0</u>	<u>9,071,706</u>
Capital Assets, Net	<u>\$11,273,110</u>	<u>\$ (841,570)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$10,431,540</u>

There were no major construction projects in process at the fiscal year ending December 31, 2020.

Depreciation expense for the year was: \$1,045,487

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(Continued)

NOTE 9 - Accounts Payable:

Accounts payable on December 31, 2020, consist of the following:

Vendors' Accounts Payable	\$ 43,321
Tenant Security Deposits	57,375
Payment in Lieu of Taxes (PILOT)	6,187
Accrued Absences-Current	6,727
Individual Savings Accounts Payable	6,699
Accrued Wage/Payroll Taxes Payable	<u>15,436</u>
 TOTAL	 <u>\$ 135,745</u>

NOTE 10 - Unearned Revenue:

Unearned Revenue on December 31, 2020, consists of the following:

HCV Cares Act Funds	\$ 65,994
Tenant prepaid rents	<u>8,578</u>
 TOTAL	 <u>\$ 74,572</u>

NOTE 11 - Noncurrent Liabilities:

Noncurrent liabilities on December 31, 2020, consist of the following:

Family Self-Sufficiency (FSS) Escrow Deposits	\$ 50,346
Energy Performance Contract Contingency Fund	25,000
Energy Performance Contract (EPC) Loan Payable	2,387,470
Construction Loan Payable	391,367
Accrued Absences-Noncurrent	<u>47,881</u>
 Total	 <u>\$2,902,064</u>

	<u>12/31/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/20</u>	<u>Current</u>	<u>Total</u>
FSS Escrow Deposits	\$ 128,650	\$ 39,524	\$ 117,828	\$ 50,346	0	\$ 50,346
EPC Contingency Fund	0	25,000	0	25,000	0	25,000
EPC Loan	2,534,281	0	146,811	2,387,470	0	2,387,470
Construction Loa	408,871	0	8,136	400,735	9,368	391,367
Accrued Absences	53,192	17,972	16,556	54,608	6,727	47,881
Noncurrent Liabilities	<u>\$3,124,994</u>	<u>\$ 82,496</u>	<u>\$ 289,331</u>	<u>\$2,918,159</u>	<u>\$ 16,095</u>	<u>\$2,902,064</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 9,368	\$ 19,048	\$ 28,416
2022	62,853	229,602	292,455
2023	168,394	124,061	292,455
2024	175,963	116,492	292,455
2025	184,517	107,938	292,455
2026-2030	1,060,320	401,954	1,462,274
2031-2035	927,809	138,407	1,066,216
2036-2040	106,187	35,893	142,080
2041-2044	92,794	8,367	101,161
Total	<u>\$2,788,205</u>	<u>\$1,181,762</u>	<u>\$3,969,967</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(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	\$ 2,259,611
Housing Choice Vouchers	4,159,268
Mainstream Vouchers	52,296
Capital Fund Grants	644,737
CARES Act Low Rent Public Housing Grant	310,833
CARES Act Housing Choice Vouchers Grant	102,323
CARES Act Mainstream Vouchers Grant	2,786
ROSS Grants	<u>114,262</u>
 TOTAL	 <u>\$ 7,646,116</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, 2020, were \$183,970.

Capital Fund	<u>\$ 183,970</u>
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NOTE 14 - Contingencies:

Litigation - 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 Authority's properties. The Authority's liability insurance carrier has provided counsel and defense. This litigation was resolved by way of settlement agreement. The case will be dismissed with prejudice.

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 was resolved by way of settlement agreement. The case was then dismissed, with prejudice, on July 18, 2021.

On or about July 7, 2021, 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 at some time before July 2021 from bed bugs. The Authority's liability insurance carrier has provided counsel and defense. This litigation is still pending at this time. There are on-going settlement negotiations, and the Authority believes the case will be resolved by way of settlement agreement. The case is active.

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, 2020.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(Continued)

NOTE 14 - Contingencies: (continued)

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 on December 31, 2020.

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 received approximately 89% 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, 2020, was \$128,612. Total annual payroll expense was \$1,575,511.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(Continued)

Note 18 - Defined Contribution Plan: (continued)

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, 2020.

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.

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, title inspections, and the closing of the RAD II Conversion through which subsidy was transferred from 36 scattered site houses and four three-bedroom units to build Trailside Townhomes which consists of 45 new units of affordable housing constructed by Advantix. This was a \$7.3 million development through a public-private partnership which provided any additional needed funding.

Currently we are awaiting approval of the financing plan and anticipate closing on RAD I as of September 1, 2021. As a result, the Kokomo Housing Authority will be converting 335 Low Income Public Housing units 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.

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

As with all businesses and individuals, the Authority continues to be impacted by the COVID-19 pandemic. As of December 31, 2020, the Authority had a balance of \$36,945 that could be requested from HUD for Low Income Public Housing COVID activities, and an accounts payable balance of \$65,994 for Housing Choice Voucher activities that HUD funded in 2020. These funds are required to be expended by December 31, 2021.

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note 19 - Subsequent Events: (continued)

Management has evaluated the activity of the Authority through July 29, 2021, 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, 2020

	Annual Contributions Contracts			
	C-941	IN007	C-941	C-941
	Cares Act & Low Income Public Housing	Section 8 Housing Choice Voucher Program & Cares Act	Resident Opportunity & Supportive Services	Central Office Cost Center
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,341,051	\$ 277,051	\$ 0	\$ 433,344
Accounts receivable, net	61,364	209	0	2,651
Interprogram	0	0	0	1,183
Prepaid expenses	88,329	3,135	0	7,200
Inventory, net	0	0	0	34,925
Total Current Assets	1,490,744	280,395	0	479,303
<u>Noncurrent Assets</u>				
Restricted assets				
Restricted Cash and Investments	222,360	210,798	0	53,080
Notes and Mortgages receivable	0	0	0	0
Capital assets				
Land and other nondepreciable assets	1,236,389	0	0	123,445
Depreciable capital assets, net	8,189,250	0	0	267,394
Total Capital Assets	9,425,639	0	0	390,839
Total Noncurrent Assets	9,647,999	210,798	0	443,919
TOTAL ASSETS	11,138,743	491,193	0	923,222
<u>LIABILITIES</u>				
<u>Current liabilities</u>				
Accounts payable	101,066	662	0	30,767
Current portion of long term debt	0	0	0	0
Interprogram	1,183	0	0	0
Unearned revenue	8,155	65,994	0	398
Total current liabilities	110,404	66,656	0	31,165
<u>Noncurrent liabilities</u>				
Other noncurrent liabilities	63,556	37,756	0	21,915
Long term debt	2,387,470	0	0	0
Total Noncurrent liabilities	2,451,026	37,756	0	21,915
TOTAL LIABILITIES	2,561,430	104,412	0	53,080
<u>NET POSITION</u>				
Unrestricted	1,489,561	214,401	0	479,303
Restricted	49,583	172,380	0	0
Net investment in capital assets	7,038,169	0	0	390,839
TOTAL NET POSITION	\$ 8,577,313	\$ 386,781	\$ 0	\$ 870,142

<u>C-941</u>	<u>IN007</u>				
Capital	Cares Act &		Business	Interfund	
Fund	Section 8		Activities	Elimination	Total
Program	Mainstream				
	Voucher				
\$ 0	\$ 658	\$ 8,118	\$ 0	\$ 2,060,222	
0	0	1,336	0	65,560	
0	0	0	(1,183)	0	
0	0	2,196	0	100,860	
0	0	0	0	34,925	
<u>0</u>	<u>658</u>	<u>11,650</u>	<u>(1,183)</u>	<u>2,261,567</u>	
0	12,828	3,250	0	502,316	
0	0	0	0	0	
0	0	0	0	1,359,834	
0	0	615,062	0	9,071,706	
<u>0</u>	<u>0</u>	<u>615,062</u>	<u>0</u>	<u>10,431,540</u>	
0	12,828	618,312	0	10,933,856	
<u>0</u>	<u>13,486</u>	<u>629,962</u>	<u>(1,183)</u>	<u>13,195,423</u>	
0	0	3,250	0	135,745	
0	0	9,368	0	9,368	
0	0	0	(1,183)	0	
0	0	25	0	74,572	
<u>0</u>	<u>0</u>	<u>12,643</u>	<u>(1,183)</u>	<u>219,685</u>	
0	0	0	0	123,227	
0	0	391,367	0	2,778,837	
<u>0</u>	<u>0</u>	<u>391,367</u>	<u>0</u>	<u>2,902,064</u>	
0	0	404,010	(1,183)	3,121,749	
0	658	8,126	0	2,192,049	
0	12,828	3,499	0	238,290	
0	0	214,327	0	7,643,335	
<u>\$ 0</u>	<u>\$ 13,486</u>	<u>\$ 225,952</u>	<u>\$ 0</u>	<u>\$ 10,073,674</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, 2020

	C-941	IN007
	Cares Act & Low Income Public Housing	Section 8 Housing Choice Voucher Program & Cares Act
<u>OPERATING REVENUES</u>		Ar
Rental income	\$ 881,524	\$ 0
Other income	23,692	41,554
TOTAL OPERATING REVENUE	905,216	41,554
<u>OPERATING EXPENSES</u>		
Administrative	969,596	369,179
Tenant services	429,211	87,354
Utilities	731,830	1,372
Ordinary maintenance and operation	1,061,930	7,292
Protective services	13,575	0
General expense	308,557	15,307
Housing assistance payments	30,751	3,647,903
Depreciation expense	1,003,858	0
TOTAL OPERATING EXPENSES	4,549,308	4,128,407
 OPERATING INCOME (LOSS)	 (3,644,092)	 (4,086,853)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Federal operating grants	2,570,444	4,261,591
Gain on sale of capital assets	0	0
Interest expense	0	0
Interest income	3,863	561
TOTAL NONOPERATING REVENUES (EXPENSES)	2,574,307	4,262,152
 INCOME (LOSS) BEFORE OTHER REVENUES	 (1,069,785)	 175,299
CAPITAL CONTRIBUTIONS	0	0
 INCREASE (DECREASE) IN NET POSITION	 (1,069,785)	 175,299
 NET POSITION - BEGINNING OF YEAR, as originally stated	 8,792,245	 185,336
Equity transfers	854,853	26,146
 NET POSITION - BEGINNING OF YEAR, as restated	 9,647,098	 211,482
 NET POSITION, END OF YEAR	 \$ 8,577,313	 \$ 386,781

Annual Contributions Contracts

C-941 Resident Opportunity & Supportive Services	C-941 Central Office Cost Center	C-941 Capital Fund Program	IN007 Cares Act & Section 8 Mainstream Voucher	Business Activities	Elimination	Total
\$ 0	\$ 12,431	\$ 0	\$ 0	\$ 35,220	\$ 0	\$ 929,175
0	814,405	0	0	6	(805,767)	73,890
<u>0</u>	<u>826,836</u>	<u>0</u>	<u>0</u>	<u>35,226</u>	<u>(805,767)</u>	<u>1,003,065</u>
0	614,925	0	9,874	79	(805,767)	1,157,886
61,970	108,101	0	3,211	0	0	689,847
0	28,382	0	41	1,062	0	762,687
0	26,103	0	217	1,791	0	1,097,333
0	733	0	0	0	0	14,308
0	38,396	0	384	3,157	0	365,801
0	0	0	84,787	0	0	3,763,441
0	22,159	0	0	19,471	0	1,045,488
<u>61,970</u>	<u>838,799</u>	<u>0</u>	<u>98,514</u>	<u>25,560</u>	<u>(805,767)</u>	<u>8,896,791</u>
(61,970)	(11,963)	0	(98,514)	9,666	0	(7,893,726)
114,262	0	644,737	55,082	0	0	7,646,116
0	7,265	0	0	0	0	7,265
0	0	0	0	(21,627)	0	(21,627)
0	1,319	0	0	17	0	5,760
<u>114,262</u>	<u>8,584</u>	<u>644,737</u>	<u>55,082</u>	<u>(21,610)</u>	<u>0</u>	<u>7,637,514</u>
52,292	(3,379)	644,737	(43,432)	(11,944)	0	(256,212)
0	0	183,970	0	0	0	183,970
52,292	(3,379)	828,707	(43,432)	(11,944)	0	(72,242)
0	873,521	0	56,918	237,896	0	10,145,916
(52,292)	0	(828,707)	0	0	0	0
(52,292)	873,521	(828,707)	56,918	237,896	0	10,145,916
<u>\$ 0</u>	<u>\$ 870,142</u>	<u>\$ 0</u>	<u>\$ 13,486</u>	<u>\$ 225,952</u>	<u>\$ 0</u>	<u>\$ 10,073,674</u>

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED
DECEMBER 31, 2020

Annual Contributions Contract C-941

501-16

1. The Capital Fund Grant Costs are as follows:

Funds Approved	\$	666,937
Funds Expended		<u>666,937</u>
Excess / (Deficiency) of Funds Approved	\$	<u><u>0</u></u>
Funds Advanced	\$	666,937
Funds Expended		<u>666,937</u>
Excess / (Deficiency) of Funds Advanced	\$	<u><u>0</u></u>

2. Costs additions totaling \$ 0 were made during the current audit period and, accordingly, were audited by Goldie Roberts, CPA.
3. The total amount of the Capital Fund Grant Costs at December 31, 2020 as shown above are in agreement with the Actual Development Cost Certificate submitted to HUD and approved by HUD.
4. All Capital Fund grant work in connection with the Project has been completed.
5. All liabilities have been paid and there are no undischarged liens against the Project on file in any public office where the same should be filed in order to be valid and the time in which such liens could be filed has expired.
6. There were no budget overruns.

325	Accrued Interest Payable													
331	Accounts Payable - HUD PHA Programs													
332	Account Payable - PHA Projects	\$6,699									\$6,699		\$6,699	
333	Accounts Payable - Other Government	\$5,584								\$603	\$6,187		\$6,187	
341	Tenant Security Deposits	\$50,550				\$3,250				\$3,575	\$57,375		\$57,375	
342	Unearned Revenue	\$8,155				\$25			\$65,994	\$398	\$74,572		\$74,572	
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					\$9,368					\$9,368		\$9,368	
344	Current Portion of Long-term Debt - Operating Borrowings													
345	Other Current Liabilities													
346	Accrued Liabilities - Other													
347	Inter Program - Due To	\$875	\$308								\$1,183	-\$1,183	\$0	
348	Loan Liability - Current													
310	Total Current Liabilities	\$110,096	\$308	\$0	\$0	\$12,643	\$0	\$662	\$0	\$65,994	\$31,165	\$220,868	-\$1,183	\$219,685
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$2,387,470				\$391,367						\$2,778,837		\$2,778,837
352	Long-term Debt, Net of Current - Operating Borrowings													
353	Non-current Liabilities - Other	\$40,111						\$35,235			\$75,346		\$75,346	
354	Accrued Compensated Absences - Non Current	\$23,445						\$2,521			\$21,915	\$47,881	\$47,881	
355	Loan Liability - Non Current													
356	FASB 5 Liabilities													
357	Accrued Pension and OPEB Liabilities													
350	Total Non-Current Liabilities	\$2,451,026	\$0	\$0	\$0	\$391,367	\$0	\$37,756	\$0	\$0	\$21,915	\$2,902,064	\$0	\$2,902,064
300	Total Liabilities	\$2,561,122	\$308	\$0	\$0	\$404,010	\$0	\$38,418	\$0	\$65,994	\$53,080	\$3,122,932	-\$1,183	\$3,121,749
400	Deferred Inflow of Resources													
508.4	Net Investment in Capital Assets	\$7,038,169	\$0	\$0	\$0	\$214,327				\$0	\$390,859	\$7,643,335		\$7,643,335
511.4	Restricted Net Position	\$49,563	\$0	\$0	\$0	\$3,499	\$12,828	\$172,380		\$0		\$238,290		\$238,290
512.4	Unrestricted Net Position	\$1,489,561	\$0	\$0	\$0	\$8,126	\$659	\$214,401	\$0	\$0	\$479,503	\$2,192,049		\$2,192,049
513	Total Equity - Net Assets / Position	\$8,577,313	\$0	\$0	\$0	\$225,952	\$13,486	\$386,781	\$0	\$0	\$870,142	\$10,073,674	\$0	\$10,073,674
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$11,138,435	\$308	\$0	\$0	\$629,962	\$13,486	\$425,199	\$0	\$65,994	\$923,222	\$13,166,606	-\$1,183	\$13,165,423

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

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2020

	Project Total	14 PHC Public Housing CARES Act Funding	14 MSC Mainstream CARES Act Funding	14.CCC Central Office Cost Center CARES Act Funding	1 Business Activities	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14 HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$795,850				\$35,200					\$12,431	\$843,481		\$843,481
70400 Tenant Revenue - Other	\$85,674				\$20						\$85,694		\$85,694
70500 Total Tenant Revenue	\$681,524	\$0	\$0	\$0	\$35,220	\$0	\$0	\$0	\$0	\$12,431	\$929,175	\$0	\$929,175
70600 HUD PHA Operating Grants	\$2,904,348	\$310,833	\$2,786			\$52,296	\$4,159,268	\$114,262	\$102,323		\$7,646,116		\$7,646,116
70510 Capital Grants	\$183,970										\$183,970		\$183,970
70710 Management Fee										\$525,509	\$525,509	-\$525,509	\$0
70720 Asset Management Fee										\$65,080	\$65,080	-\$65,080	\$0
70730 Book Keeping Fee										\$107,077	\$107,077	-\$107,077	\$0
70740 Front Line Service Fee													
70750 Other Fees													
70700 Total Fee Revenue										\$697,666	\$697,666	-\$697,666	\$0
70800 Other Government Grants													
71100 Investment Income - Unrestricted	\$3,570				\$16		\$561			\$1,319	\$5,466		\$5,466
71200 Mortgage Interest Income													
71300 Proceeds from Disposition of Assets Held for Sale													
71310 Cost of Sale of Assets											\$41,200		\$41,200
71400 Fraud Recovery							\$41,200						\$41,200
71500 Other Revenue	\$23,692			\$108,101	\$6		\$354			\$8,638	\$140,791	-\$108,101	\$32,690
71600 Gain or Loss on Sale of Capital Assets										\$7,265	\$7,265		\$7,265
72000 Investment Income - Restricted	\$293				\$1						\$294		\$294
70000 Total Revenue	\$3,997,397	\$310,833	\$2,786	\$108,101	\$35,243	\$52,296	\$4,201,393	\$114,262	\$102,323	\$727,319	\$9,651,943	-\$805,767	\$8,846,176
91100 Administrative Salaries	\$195,825					\$4,482	\$150,442			\$453,298	\$804,045		\$804,045
91200 Auditing Fees	\$7,726						\$3,315				\$11,041		\$11,041
91300 Management Fee	\$465,509	\$72,055	\$0		\$215	\$29,785		\$8,750			\$607,214	-\$607,214	\$0
91310 Book-keeping Fee	\$45,352	\$8,530			\$1,575	\$60,150		\$17,857			\$133,473	-\$133,473	\$0
91400 Advertising and Marketing													
91500 Employee Benefit contributions - Administrative	\$59,664					\$1,868	\$52,650			\$139,483	\$263,663		\$263,663
91600 Office Expenses	\$42,452					\$561	\$18,782			\$28,005	\$89,800		\$89,800
91700 Legal Expense	\$6,551				-\$25		\$3,810			\$4,390	\$14,726		\$14,726
91800 Travel	\$76										\$76		\$76
91810 Allocated Overhead													
91900 Other	\$20,747				\$104	\$1,102	\$13,638			\$5,055	\$40,646		\$40,646
91900 Total Operating - Administrative	\$873,902	\$81,494	\$0	\$0	\$79	\$9,801	\$342,572	\$0	\$28,607	\$630,229	\$1,964,684	-\$740,687	\$1,223,997
92000 Asset Management Fee	\$65,080										\$65,080	-\$65,080	\$0
92100 Tenant Services - Salaries	\$107,192	\$120,935	\$1,025	\$83,375		\$384	\$15,728	\$45,110	\$35,153		\$408,682		\$408,682
92200 Relocation Costs													
92300 Employee Benefit Contributions - Tenant Services	\$18,282	\$19,514	\$171	\$12,302		\$61	\$2,674	\$8,951	\$5,852		\$67,897		\$67,897
92400 Tenant Services - Other	\$9,318	\$88,890	\$1,580	\$12,334				\$7,909	\$27,947		\$147,988		\$147,988
92500 Total Tenant Services	\$134,792	\$229,339	\$2,786	\$108,101	\$0	\$425	\$18,402	\$61,970	\$68,952	\$0	\$624,767	\$0	\$624,767
93100 Water	\$81,264				\$143	\$6	\$221			\$2,474	\$84,108		\$84,108
93200 Electricity	\$249,432				\$772	\$8	\$270			\$15,061	\$265,543		\$265,543
93300 Gas	\$116,392					\$17	\$650			\$7,689	\$124,658		\$124,658
93400 Fuel													
93500 Labor													
93600 Sewer	\$130,617				\$147	\$10	\$331			\$3,148	\$134,253		\$134,253
93700 Employee Benefit Contributions - Utilities													
93900 Other Utilities Expense	\$154,125										\$154,125		\$154,125
93000 Total Utilities	\$731,830	\$0	\$0	\$0	\$1,062	\$41	\$1,372	\$0	\$0	\$28,382	\$762,687	\$0	\$762,687
94100 Ordinary Maintenance and Operations - Labor	\$355,466									\$2,739	\$358,205		\$358,205
94200 Ordinary Maintenance and Operations - Materials and Other	\$161,751				\$1,749	\$38	\$1,264			\$12,156	\$176,958		\$176,958
94300 Ordinary Maintenance and Operations Contracts	\$420,743				\$42	\$179	\$6,028			\$10,846	\$437,838		\$437,838

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									\$214,401		\$214,401
11170	Administrative Fee Equity									\$214,401		\$214,401
11180	Housing Assistance Payments Equity									\$172,360		\$172,360
11190	Unit Months Available	5230		49	256	8400					13934	13934
11210	Number of Unit Months Leased	4769		41	210	8071					13051	13051
11270	Excess Cash	\$1,138,785									\$1,138,785	\$1,138,785
11610	Land Purchases	\$0								\$0	\$0	\$0
11620	Building Purchases	\$183,970								\$0	\$183,970	\$183,970
11630	Furniture & Equipment - Dwelling Purchases	\$0								\$0	\$0	\$0
11640	Furniture & Equipment - Administrative Purchases	\$19,947								\$0	\$19,947	\$19,947
11650	Leasehold Improvements Purchases	\$0								\$0	\$0	\$0
11660	Infrastructure Purchases	\$0								\$0	\$0	\$0
13510	CFFP Debt Service Payments	\$0								\$0	\$0	\$0
13501	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, 2020

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, 2020

ANNUAL CONTRIBUTION CONTRACT	PROGRAM AND ASSISTANCE TYPE	CFDA NUMBER	BUDGET	EXPENDITURES
<u>U. S. DEPARTMENT OF HUD</u>				
C-941	Public and Indian Housing	14.850	\$ 2,270,335	\$ 2,259,611
C-941	Public Housing Cares Act	14.PHC	310,833	310,833
C-941	Resident Opportunity and Supportive Services	14.870	242,687	114,262
IN007	Mainstream Cares Act	14.MSC	2,786	2,786
IN007	HCV Cares Act	14.HCC	102,323	102,323
IN007	Housing Voucher Cluster Section 8 Housing Choice Voucher	14.871	4,159,268	4,159,268
	Mainstream Vouchers	14.879	52,296	52,296
	Total Housing Voucher Cluster		<u>4,211,564</u>	<u>4,211,564</u>
C-941	Public Housing Capital Fund	14.872	<u>4,078,537</u>	<u>828,707</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 11,219,065</u>	<u>\$ 7,830,086</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, 2020. 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, 2020, 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 July 29, 2021.

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
July 29, 2021

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, 2020. 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, 2020.

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
July 29, 2021

HOUSING AUTHORITY OF THE CITY OF KOKOMO
Kokomo, Indiana

DECEMBER 31, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

Unmodified

Internal control over financial reporting:

~ Material weakness(es) identified?

_____yes X no

~ Significant deficiency(s) identified?

_____yes X none reported

Noncompliance material to financial statements noted?

_____yes X no

FEDERAL AWARDS

Internal control over major federal programs:

~ Material weakness(es) identified?

_____yes X no

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

_____yes X none reported

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

Unmodified

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

_____yes X no

Identification of major federal programs:

CFDA Number

Name of Federal Program

14.871

Housing Voucher Cluster

14.PHC

Housing Choice Vouchers

Public Housing Cares Act

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, 2020

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.