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July 21, 2014

Board of Directors  
Knox County Housing Authority  
11 Powell Street  
Bicknell, IN 47512

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period July 1, 2012 to June 30, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Knox County Housing Authority, as of June 30, 2013 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings, found on pages 33 and 34.

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

STATE BOARD OF ACCOUNTS

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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**REPORT ON EXAMINATION OF  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL DATA**

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**TWELVE MONTHS ENDED JUNE 30, 2013**

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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## Independent Auditor's Report

Board of Commissioners  
Knox County Housing Authority  
Bicknell, Indiana

I have audited the accompanying financial statements of the Knox County Housing Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively compromise the Knox County Housing Authority's basic 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 of 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 Knox County Housing 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 Knox County Housing 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 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 net position of the Knox County Housing Authority, as of June 30, 2013 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

## **Report on Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on 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 basic financial statements, and other knowledge I obtained during my audit of the basic 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.

## **Report on Supplemental Information**

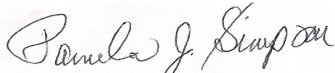
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Knox County Housing Authority's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Further, the financial data schedules shown on pages 37 to 41 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are not a required part of the financial statements.

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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the above described supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Report Issued in Accordance with Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated October 3, 2013 on my consideration of the Knox County Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of a *Government Auditing Standards* and should be considered in assessing the results of my audit.

Decatur, Illinois  
October 3, 2013

  
Certified Public Accountant

**KNOX COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2013**

**Management's Discussion and Analysis**

As management of the Knox County Housing Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Elizabeth Ellis, Executive Director, Knox County Housing Authority, 11 Powell Place, Tilly Estate Office, Bicknell, Indiana, (812) 735-0158.

**Financial Highlights**

The term "net position" refers to the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. The Authority's total net position as of June 30, 2013 was \$2,489,352. The net position increased by \$5,167 from previous year.

Revenues for the Housing Authority were \$1,950,575 for the year ended June 30, 2013. This was an increase of \$407,319 or 26% from the prior year.

Expenses for the Housing Authority were \$1,945,642 for the year ended June 30, 2013. This was an increase of \$153,654 or 9% from the prior year.

**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 with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Fund Net Position – reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows - reports the Authority's cash flows from operating, investing, and capital and non-capital activities.

**Future Events (New Business)**

There are no future events planned by the Authority during the fiscal year ending June 30, 2014 that will significantly affect the Authority's Net Position either positively or negatively.

**KNOX COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2013**

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does. The following is a brief description of the programs and services that the Authority provides for the residents of Knox County:

***Low Income Public Housing (LIPH)***

The Housing Authority owns 74 units in Knox County, Indiana. 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 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 the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants.

***Section 8 Housing Choice Vouchers (Section 8 Vouchers)***

HUD has contracted with the Housing Authority support for 334 Housing Choice Vouchers. The Authority pays Housing Assistance Payments to Landlords for Low Income tenants. The Housing Assistance Payment 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 tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

***Capital Fund Program (CFP)***

These grant programs are awarded by HUD on an annual basis. The purpose of these grants is for improvement to 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.

**KNOX COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2013**

**Condensed Comparative Financial Statements**

**Analysis of Entity Wide Net Assets**

**Total Assets** for FYE 2012 were \$2,556,516, and at FYE 2013, the amount was \$2,496,435. This represents a decrease of \$60,081.

**Total Capital Assets** increased by \$111,714. At FYE 2012 and 2013, the amounts were \$2,190,188 and \$2,301,902 respectively.

**Total Liabilities** increased by \$3,160 due to an increase in current liabilities.

**Revenues** increased by \$407,319 from FYE June 30, 2013. At FYE 2012 and 2013, total revenues were \$1,543,256 and \$1,950,575, respectively.

**Total Expenses** increased by \$153,654 which is mostly due to an increase in HAP payments.

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	100,678	297,262	(196,584)	-66%
Other Assets	93,855	69,066	24,789	36%
Capital Assets	2,301,902	2,190,188	111,714	5%
<b>Total Assets</b>	<b>2,496,435</b>	<b>2,556,516</b>	<b>(60,081)</b>	<b>-2%</b>
Deferred Outflows of Resources	68,408	0	68,408	0%
<b>TOTAL</b>	<b>2,564,843</b>	<b>2,556,516</b>	<b>8,327</b>	<b>0%</b>
Current Liabilities	75,491	48,299	27,192	56%
Noncurrent Liabilities	0	24,032	(24,032)	-100%
<b>Total Liabilities</b>	<b>75,491</b>	<b>72,331</b>	<b>3,160</b>	<b>4%</b>
Deferred Inflows of Resources	0	0	0	0%
Net Investment in Capital Assets	2,301,902	2,190,188	111,714	5%
Restricted	0	137,004	(137,004)	-100%
Unrestricted	187,450	156,993	30,457	19%
<b>Total Net Position</b>	<b>2,489,352</b>	<b>2,484,185</b>	<b>5,167</b>	<b>0%</b>
<b>TOTAL</b>	<b>2,564,843</b>	<b>2,556,516</b>	<b>8,327</b>	<b>0%</b>



**KNOX COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2013**

*Analysis of Entity Wide Revenues*

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2013 were as follows:

<b><u>Program</u></b>	<b><u>Revenues Generated</u></b>
Low Income Public Housing	\$472,973
Section 8 Vouchers	\$1,238,605
Capital Funds Program	\$159,426
State and Local	\$79,565

Total revenues for Fiscal year ending June 30, 2012 were \$1,543,256 as compared to the total revenues for fiscal year ending June 30, 2013 of \$1,950,575. Comparatively, fiscal year ending 2012 revenues were less than fiscal year ending 2013 revenues by \$407,319. The overall change was 26%.

	<b>2,013</b>	<b>2012</b>	<b>Net Change</b>	<b>Percentage Variance</b>
Total Tenant Revenue	170,059	132,451	37,608	28%
HUD Operating Grants	1,547,764	1,345,785	201,979	15%
HUD Capital Grants	147,175	52,324	94,851	181%
Investment Income	1,362	933	429	46%
Other Revenue	87,642	13,111	74,531	569%
Gain (Loss) on Sale of Capital Assets	(3,427)	-1,348	(2,079)	0%
Total Revenue	<u>1,950,575</u>	<u>1,543,256</u>	<u>407,319</u>	<u>26%</u>

**KNOX COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2013**

*Analysis of Entity Wide Expenditures*

**Total Expenditures** for Fiscal Year Ending June 30, 2013 were \$1,945,642 as compared to \$1,791,988 of total expenditures for Fiscal Year Ending June 30, 2012. Comparatively, Fiscal Year Ending 2012 expenditures were less than Fiscal Year Ending 2013 expenditures by \$153,654. Changes by major expense category are presented below.

	2013	2012	Net Change	Percent Variance
Administrative	289,065	283,905	5,160	2%
Tenant Services	7,843	5,764	2,079	36%
Utilities	69,720	56,812	12,908	23%
Maintenance	94,683	103,610	(8,927)	-9%
General Expense	50,878	54,874	(3,996)	-7%
Extraordinary Maintenance	2,581	0	2,581	100%
Housing Assistance Payments	1,269,569	1,122,525	147,044	13%
Depreciation Expense	161,303	164,498	(3,195)	-2%
<b>Total Expenses</b>	<b>\$1,945,642</b>	<b>\$1,791,988</b>	<b>153,654</b>	<b>9%</b>

*Analysis of Capital Asset Activity*

As of June 30, 2013, the Authority's investment in capital assets was \$2,301,902 (net of accumulated depreciation). The investment includes land, buildings, equipment, and leasehold improvements.

	2013	2012	Net Change	Percent Variance
Land	1,007,173	1,002,773	4,400	0.4%
Buildings	3,289,806	3,385,264	(95,458)	-2.8%
Furniture, Equipment, & Machinery - Dwelling	136,831	139,171	(2,340)	-1.7%
Furniture, Equipment, & Machinery - Admin	346,215	395,380	(49,165)	-12.4%
Leasehold Improvements	322,082	0	322,082	100.0%
Construction in Process	0	0	0	0.0%
<b>Total Fixed Assets</b>	<b>5,102,107</b>	<b>4,922,588</b>	<b>179,519</b>	<b>3.6%</b>
Accumulated Depreciation	2,800,205	2,732,400	67,805	2.5%
<b>Net Fixed Assets</b>	<b>2,301,902</b>	<b>2,190,188</b>	<b>111,714</b>	<b>5.1%</b>

*Debt Activity*

The Housing Authority had no outstanding debt during 2012 or 2013.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
AS OF JUNE 30, 2013**

**ASSETS**

Cash - operating	\$ 64,343
Cash - restricted	36,335
Receivables, net	8,256
Investments	12,000
Prepaid expenses	49,859

Capital assets:

Land, land improvements and construction in progress	\$ 1,329,255
Other capital assets, net of depreciation	<u>972,647</u>

Total Capital Assets	\$ 2,301,902
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Notes receivables -long term	<u>\$ 23,740</u>
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Total Assets	<u>\$ 2,496,435</u>
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<b><u>DEFERRED OUTFLOWS OF RESOURCES (Note 10)</u></b>	<u>\$ 68,408</u>
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<b>TOTAL</b>	<u><u>\$ 2,564,843</u></u>
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**LIABILITIES**

Accounts payable	\$ 49,765
Other liabilities	25,149
Unearned revenue	<u>577</u>

Total Liabilities	<u>\$ 75,491</u>
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<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	<u>\$ 0</u>
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**NET POSITION**

Net investment in capital assets	\$ 2,301,902
Unrestricted	<u>187,450</u>

Total Net Position	<u>\$ 2,489,352</u>
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<b>TOTAL</b>	<u><u>\$ 2,564,843</u></u>
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**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2013**

Operating Income

Tenant revenue	\$ 146,048
Tenant revenue - other	<u>24,011</u>
 Total Rental Income	 \$ 170,059
 HUD grants - operating	 1,547,764
Other revenue	87,642
Gain (loss) on sale of capital assets	<u>-3,427</u>
 Total Operating Income	 <u>\$ 1,802,038</u>

Operating Expenses

Administration	\$ 289,065
Tenant services	7,843
Utilities	69,720
Ordinary maintenance and operation	94,683
General expense	50,878
Extraordinary maintenance	2,581
Housing assistance payments	1,269,569
Depreciation	<u>161,303</u>
 Total Operating Expenses	 <u>\$ 1,945,642</u>
 Net Operating Income (Loss)	 \$ -143,604

Nonoperating Income (Expense)

Interest income	1,362
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Capital Contributions

Capital funds grants	<u>147,175</u>
 Changes in net position	 \$ 4,933
Net position, beginning of year	2,484,185
Prior period adjustments	<u>234</u>
 Net position, end of year	 <u>\$ 2,489,352</u>

The notes to financial statements are an integral part of this statement.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2013**

Operating Activities

Operating grants	\$ 1,468,706
Tenant revenue	166,746
Other revenue	84,215
Housing assistance payments	-1,269,569
Payments to employees	-182,671
Payments to suppliers and contractors	<u>-363,563</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -96,136</u>

Investing Activities

Investments (purchased) redeemed	\$ 24,032
Interest income	<u>1,362</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 25,394</u>

Capital and Related Financing Activities

Capital fund grants	\$ 147,175
(Additions) deletions to fixed assets	<u>-273,017</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -125,842</u>

Net Change in Cash	\$ -196,584
Cash Balance at June 30, 2012	<u>297,262</u>
Cash Balance at June 30, 2013	<u><u>\$ 100,678</u></u>

The notes to financial statements are an integral part of this statement.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2013**

Reconciliation of Operating Income (Loss) to Net Cash  
Provided (Used) by Operating Activities

Net operating income (loss)	\$ -143,604
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	161,303
Adjustments to net position	234
 (Increase) decrease in accounts receivable	 20,579
(Increase) decrease in prepaid expenses	-46,770
(Increase) decrease in other assets	-23,740
(Increase) decrease in deferred outflows	-68,408
 Increase (decrease) in accounts payable	 24,334
Increase (decrease) in accrued liabilities	16,295
Increase (decrease) in unearned revenues	-12,327
Increase (decrease) in other liabilities	<u>-24,032</u>
 Net Cash Provided (Used) by Operating Activities	 <u><u>\$ -96,136</u></u>

The notes to financial statements are an integral part of this statement.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2013**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Knox County Housing Authority was established by county pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the County of Knox and concluded that the County does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the County, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the County government. Debt incurred by the Authority is not an obligation of the County; the County does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

The Authority is governed by a Board of Commissioners appointed by the office of the County Board, and has governance responsibilities over all activities related to all housing activities within the County. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the County, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Knox County Housing Authority is a separate reporting entity. The Housing Authority has no component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, by practice the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- \* Low Rent Public Housing
- \* Capital Fund Program
- \* Housing Choice Vouchers
- \* Business Activities
- \* State and Local

These programs are all accounted for within the 'Proprietary' (enterprise) fund as described below:

*Proprietary Fund Types:*

Proprietary funds use the economic resources measurement focus and utilize the accrual basis of accounting. All assets and liabilities associated with a proprietary fund's activities are included on the fund statement. Proprietary fund equity is segregated into Net Investment in Capital Assets, Restricted and Unrestricted.

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(f) Interprogram Receivables and Payables -

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net assets and have been eliminated in the basic financial statements.



**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at June 30, 2013, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(h) Investments -

Investments are stated at cost which approximates market.

(i) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

If the initial cost of a piece of equipment and/or other personal property is one thousand dollars (\$1,000) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Buildings	7 - 40	years
Equipment	3 - 10	years
Leasehold improvements	3 - 40	years

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Net Position -

GASB Statement 63 requires the classification of net position into three components as defined below:

- 1) Net investment in capital assets - capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction or improvement of those assets.
- 2) Restricted - restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- 3) Unrestricted - amounts not required to be reported in the other components of net position.

(k) Income Tax -

The Authority, organized as a non-profit corporation subsidized by the Federal government, is exempt from Federal and State income taxes.

(l) Annual Contributions/Subsidies and Other Grants

Annual contributions and subsidies received from the Department of HUD are recorded as grant revenues.

Other grants (such as CFP grants) are recognized when program expenditures are incurred. Such revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

(m) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted to the Board for approval.

(n) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(o) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (p) Rental income is recognized as rents become due.
- (q) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

Note 2 - Cash and Investments

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

All cash and investments are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

*Custodial Credit Risk*

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

*Credit Risk Investments, Concentration of Credit Risk and Interest Rate Risks - Investments*

*Credit Risk* is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

*Concentrations of Credit Risk* is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

*Investment Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2013  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 - Deposits which are not collateralized or insured.

Based on the three levels of risk, all of the Housing Authority's funds are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 82,570	\$ 131,533
Voucher	2,527	11,346
Business Activities	<u>15,581</u>	<u>15,581</u>
Total	<u>\$ 100,678</u>	<u>\$ 158,460</u>

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.

Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

Based on the three levels of risk, all of the Housing Authority's investments are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	<u>\$ 12,000</u>	<u>\$ 12,000</u>

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2013  
(CONTINUED)**

Note 3 - Compensated Absences

Vacation Leave

The Housing Authority has a vacation policy for regular full-time employees to enjoy time off with pay. Vacation time for employees is based on the years of service the employee has accumulated. Regular full-time employees will be entitled to paid vacation in accordance with the schedule below. The total number of employees who are permitted to be on vacation at the same time shall be governed by the needs of the Housing Authority.

Upon separation from employment with the Housing Authority, an employee shall receive pay for any unused vacation time if in good standing at the time of separation unless terminated as a result of disciplinary action.

Employees must be in active working pay status to be eligible for vacation time off. Employees shall received their regular rate of pay for the vacation period.

Vacation time is earned as follows:

At 1 year of service - 1 week paid vacation

At 3 years of service - 2 weeks paid vacation

At 4 years of service, an additional vacation day will be added for each year with a maximum of 20 vacation days per year

Vacation time will be available on the first day of each calendar year and must be used in the same year for which it was earned.

Sick Leave

All full time employees earn 12 days of paid sick time per calendar year. The days will be earned at the rate of 1 day per month of paid service.

Up to 5 days of unused sick time will be allowed to carry over to the following calendar year. A total of 17 sick days will be allowed to be accrued at any time during the calendar year.

Personal Leave

All full time employees earn 6 days of paid personal time per calendar year. The days will be earned at the rate of 1 day every other month of paid service.

Up to 5 days of unused personal time will be allowed to carry over to the following calendar year. A total of 11 personal days will be allowed to be accrued at any time during the calendar year.

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through the Public Employee's Retirement Fund of Indiana (PERF). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the employee to contribute at least 3% of covered wages. For calendar year 2013 the Housing Authority was required to contribute 9%. Total contributions to PERF paid by the Housing Authority on behalf of the employees were \$5,140 for fiscal year end 2013 related to wages paid of \$198,129. The Housing Authority's contribution was \$14,822.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2013  
(CONTINUED)**

Note 5 - Post-Employment Benefits

The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Note 6 - Accounts Receivable

Accounts receivable at June 30, 2013 consists of the following accounts:

Accounts receivable - miscellaneous	\$ 3,837
Tenants accounts receivable	2,065
Notes receivable	<u>2,354</u>
Subtotal	\$ 8,256
Interfund	<u>3,290</u>
Total	<u><u>\$ 11,546</u></u>

Note 7 - Investments

At June 30, 2013 investments consist of the following:

	<u>Rate</u>	
Certificates of deposit	1.65%	<u><u>\$ 12,000</u></u>

Note 8 - Prepaid Expenses

This classification includes the following:

Prepaid insurance	<u><u>\$ 49,859</u></u>
-------------------	-------------------------

Note 9 - Capital Assets

Balance as of June 30, 2013	\$ 2,301,902
Balance as of June 30, 2012	<u>2,190,188</u>
Net Increase (Decrease)	<u><u>\$ 111,714</u></u>

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2013  
(CONTINUED)**

Note 9 - Capital Assets (Continued)

Reconciliation

Betterments and additions	\$ 251,767
Disposals	-17,652
Replacement of equipment	38,902
Current year depreciation expense	<u>-161,303</u> *
Net Increase (Decrease)	<u>\$ 111,714</u>

<u>Analysis</u>	<u>07/01/2012 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>06/30/2013 Balance</u>
Land	\$ 1,002,773	\$ 4,400	\$ 0	\$ 1,007,173
Buildings	3,385,264	243,829	339,287	3,289,806
Equipment and furniture	534,551	38,902	90,407	483,046
Leasehold improvements	<u>0</u>	<u>322,082</u>	<u>0</u>	<u>322,082</u>
Total Assets	\$ 4,922,588	\$ 609,213	\$ 429,694	\$ 5,102,107
Accumulated depreciation	<u>-2,732,400</u>	<u>93,498</u>	<u>161,303</u> *	<u>-2,800,205</u>
Total Net Assets	<u>\$ 2,190,188</u>	<u>\$ 702,711</u>	<u>\$ 590,997</u>	<u>\$ 2,301,902</u>

\*Current year depreciation expense recognized.

Note 10 - Deferred Outflows of Resources

HUD - Operating Funds	<u>\$ 68,408</u>
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Note 11 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 26,445
Tenants security deposits	<u>23,320</u>
Subtotal	\$ 49,765
Interfund	<u>3,290</u>
Total	<u>\$ 53,055</u>

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2013  
(CONTINUED)**

Note 12 - Notes Payable

On August 4, 1987, the U.S. Department of Housing and Urban Development (HUD) issued notice PIH 87-212 to implement the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (PL 99-272, enacted April 7, 1986). This notice states, in part, the following:

Project debt to HUD (HUD-held notes) will be forgiven after a debt forgiveness amendment to the consolidated Annual Contributions Contract has been executed by HUD and the Public Housing Authority and after the Actual Development Cost Certificate has been included in an audit and approved.

As a part of the HUD mandated GAAP conversion and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

Note 13 - Other Liabilities

Other liabilities consists of the following:

Wage/payroll taxes payable	\$ 5,995
Earned compensated absences	14,514
Utilities payable	<u>4,640</u>
 Total	 <u>\$ 25,149</u>

Note 14 - Unearned Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 577</u>
----------------------	---------------

Note 15 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is calculated by HUD on a quarterly basis.

Note 16 - Allocation of Costs

The PHA allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program. Management considers this to be an equitable method of allocation.



**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2013  
(CONTINUED)**

Note 17 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 18 - Prior Period Adjustments

Prior period adjustments posted directly to net position are detailed below:

Voided checks	\$ <u>234</u>
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Note 19 - Contracts/Commitments

As of June 30, 2013, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-13	\$ <u>93,946</u>	\$ <u>0</u>

Note 20 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

For insured programs there has been no significant reduction in insurance coverage. Settled claims have not exceeded insurance coverage or the risk pool coverage in the current or past three years.

Note 21 - Economic Dependency

The Housing Authority received most of its revenue (87%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

## **SUPPLEMENTAL DATA**

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing	14.850s	C-2075	FYE 06/30/13	\$ 296,938	\$ 296,938	\$ 296,938
Housing Choice Voucher Program*	14.871	C-2045V	FYE 06/30/13	\$ 1,238,569	\$ 1,238,569	\$ 1,238,569
Public Housing - Capital Fund	14.872	C-2075	FYE 06/30/13	\$ 195,282	\$ 159,432	\$ 159,432
Total Housing Assistance				\$ 1,730,789	\$ 1,694,939	\$ 1,694,939

\*Denotes major program.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P067501-11**

1. The Actual Modernization Costs of Phase IN36P067501-11 are as follows:

Funds approved	\$ 97,865
Funds expended	<u>97,865</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 97,865
Funds expended	<u>97,865</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated June 4, 2013, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P067501-12**

1. The Actual Modernization Costs of Phase IN36P067501-12 are as follows:

Funds approved	\$ 97,417
Funds expended	<u>97,417</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 97,417
Funds expended	<u>97,417</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated June 4, 2013, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.



**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Board of Commissioners  
Knox County Housing Authority  
Bicknell, Indiana

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 Knox County Housing Authority, which comprise the statement of net position as of June 30, 2013, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Knox County Housing Authority's basic financial statements and have issued my report thereon dated October 3, 2013.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Knox County Housing Authority'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 Knox County Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Knox County Housing Authority'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 Knox County Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 to be *material weaknesses*. *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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 to be *significant deficiencies*.

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

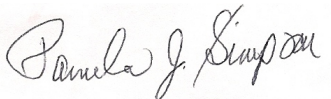
I noted certain matters that I reported to the management of the Knox County Housing Authority in a separate letter dated October 3, 2013.

The Knox County Housing Authority's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The Knox County Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the responses.

**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 Knox County Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Knox County Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Decatur, Illinois  
October 3, 2013

A handwritten signature in cursive script that reads "Pamela J. Simpson". The signature is written in dark ink on a light-colored background.

Certified Public Accountant



**Independent Auditor's Report on Compliance For Each Major Federal Program;  
Report on Internal Control Over Compliance Required by OMB Circular A-133**

Board of Commissioners  
Knox County Housing Authority  
Bicknell, Indiana

**Report on Compliance for Each Major Program**

I have audited the Knox County Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of the Knox County Housing Authority's major federal programs for the year ended October 3, 2013. The Knox County Housing Authority'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 requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Knox County Housing Authority'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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133)*. Those standards and *OMB Circular A-133* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Knox County Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

**Opinion on Each Major Program**

In my opinion, the Knox County Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 3, 2013. However, the results of my auditing procedures disclosed one instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items (2013-002).



## **Other Matters**

The results of my auditing procedures also disclosed immaterial instances of noncompliance which are to be reported in accordance with *OMB Circular A-133*, which are described in the accompanying schedule of findings and questioned costs as items (2013-001). My opinion is not modified with respect to this matter.

The Knox County Housing Authority's responses to the noncompliance findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The Knox County Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the responses.

I noted certain matters that I reported to the management of the Knox County Housing Authority in a separate letter dated October 3, 2013.

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

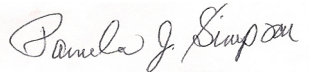
Management of the Knox County Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Knox County Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing 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 *OMB Circular A-133*, 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 Knox County Housing Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements 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 material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the 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*, as defined above. 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 my testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Decatur, Illinois  
October 3, 2013

  
Certified Public Accountant

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended June 30, 2012 contained two findings.

**Finding 2012-1: Internal Control Procedures**

To insure the effectiveness of Internal Controls, there needs to be an adequate design of internal controls that describes the separation of primary functions and duties. Internal control design must be considered in designing and implementing an effective segregation of primary duties. A written internal control manual is not maintained and it is noted that not all internal control procedures are sufficient.

**Finding 2012-2: Incomplete Section 8 Participant Files**

HUD regulations require that all participant files contain adequate documentation to support a participant's eligibility and the accurate calculation of Housing Assistance Payments (HAP).

It cannot be determined if the Section 8 participants were eligible and their HAP assistance was calculated in accordance with HUD regulations. Adequate quality control procedures had not been implemented to assure that only eligible participants were provided Housing Assistance. The procedures in place did not provide adequate assurance that correct data was collected and used in accurate assistance payment calculations for each eligible participant. This finding continues (Finding 2013-004).

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED JUNE 30, 2013**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report:

Unqualified

* Material weakness(es) identified?	<u>X</u>	yes	<u>      </u>	no
* Significant deficiency (ies) identified?	<u>X</u>	yes	<u>      </u>	none reported

Noncompliance material to financial statements noted?	<u>X</u>	yes	<u>      </u>	no
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*Federal Awards*

Internal control over major programs:

* Material weakness(es) identified?	<u>X</u>	yes	<u>      </u>	no
* Significant deficiency (ies) identified?	<u>X</u>	yes	<u>      </u>	none reported

Type of auditor's report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Section 510(a) of OMB Circular A-133?

<u>X</u>	yes	<u>      </u>	no
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**Identification of major programs:**

CFDA Number(s)

Name of Federal Program or Cluster

14.871

Housing Choice Voucher Program

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

\$ 300,000

Auditee qualified as low-risk auditee?

<u>      </u>	yes	<u>X</u>	no
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**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**CURRENT FINDINGS, RECOMMENDATIONS AND GRANTEE RESPONSE**

**Section II - Financial Statement Audit Findings**

There were three financial statement audit findings discussed with Elizabeth Ellis, Executive Director, and members of the Board of Commissioners during the course of the audit and at an exit conference held October 3, 2013.

**Finding 2013-001: Internal Control Procedures**

*Condition and Criteria:* To insure the effectiveness of Internal Controls, there needs to be an adequate design of internal controls that describes the separation of primary functions and duties. Internal control design must be considered in designing and implementing an effective segregation of primary duties. A written internal control manual is not maintained and it is noted that not all internal control procedures are sufficient.

*Effect:* In the absence of adequate internal control procedures there is an increased risk of error and other intentional activities that could affect the integrity of the financial statements or the physical custody of assets.

*Cause:* Formal quality control procedures had not been developed or implemented.

*Auditor's Recommendation:* I recommend that Housing Authority Management develop a formal internal control policy and document it in manual to be distributed to all personnel for use and reference. An adequate system of internal control procedures would address all of the features of an effective internal control system with due consideration given to the limitations imposed by limited personnel and funds available.

*Grantee Response:* The Housing Authority developed a written manual covering internal control procedures, subsequent to the current fiscal year end. The new procedures have been documented in a manual by the new Executive Director, Elizabeth Ellis and approved by the Board of Commissioners. The new procedures were put into place at the same time. This action plan is currently in place.

**Finding 2013-002: Asset Management - Dispositions and Procurement**

**Questioned Costs: Public Housing \$20,546.07; Housing Choice Voucher \$7,984.55**

*Condition and Criteria:* The Housing Authority has adopted policies for the disposition and acquisition (procurement) of fixed assets. During the fiscal year, the Housing Authority did not follow those adopted policies when trading in vehicles and purchasing new ones. The Housing Authority could not provide the proper written documentation required to support the disposal (trade-in) and subsequent related purchase of new vehicles. Written policies require full written documentation of the approved disposal and full written documentation of three quotes for the purchase of items greater than \$2,000.

*Effect:* The Housing Authority did not follow its own adopted policies and as a result it cannot be determined if the "best and most responsive" vendor was engaged to provide the new vehicles acquired.

*Cause:* The Board of Commissioners did not document the required three quotes for the trade-in and subsequent purchase of new vehicles. The only written documentation that was retained in the Housing Authority's files were quotes from three merchants that were willing to buy the "old" vehicles outright.

*Grantee Response:* The Housing Authority will strive to follow all of its adopted policies in the future. Written documentation will be acquired and retained as required on all future asset purchases. The Executive Director, Elizabeth Ellis will oversee all future purchases requiring bids and/or quotes effective immediately.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**CURRENT FINDINGS, RECOMMENDATIONS AND GRANTEE RESPONSE**

**Section II - Financial Statement Audit Findings** (Continued)

**Finding 2013-003: Procurement**

*Condition and Criteria:* The Housing Authority has adopted formal policies for procurement. That policy requires three quotes to be obtained and documented for merchandise and services prior to the purchase or execution of a contract. During the fiscal year, the Housing Authority did not follow the adopted policy when procuring legal services. The Housing Authority could not provide any documented quotes obtained for the legal fees paid.

*Effect:* The Housing Authority did not follow its own adopted policies and as a result it cannot be determined if the “best and most responsive” vendor was engaged to provide legal services.

*Cause:* The Board of Commissioners did not document the required quotes prior to engaging the services of a new attorney hired during the fiscal year.

*Grantee Response:* The Housing Authority will strive to follow all of its adopted policies in the future. Written documentation will be acquired and retained as required on all future purchases or contract commitments. The Executive Director, Elizabeth Ellis will oversee all future purchases requiring bids and/or quotes effective immediately.

**Section III - Federal Award Findings**

There was one federal award audit finding discussed with Elizabeth Ellis, Executive Director, and members of the Board of Commissioners during the course of the audit and at an exit conference held October 3, 2013.

**Finding 2013-004: Incomplete Section 8 Participant Files**

*Condition and Criteria:* HUD regulations require that all participant files contain adequate documentation to support a participant’s eligibility and the accurate calculation of Housing Assistance Payments (HAP). During my current year test of participant eligibility (40 files examined), I noted incomplete documentation and incorrect calculations of HAP in sixteen (16) of those files.

*Effect:* It cannot be determined if the Section 8 participants were eligible and their HAP assistance was calculated in accordance with HUD regulations.

*Cause:* Adequate quality control procedures had not been implemented to assure that only eligible participants were provided Housing Assistance. The procedures in place did not provide adequate assurance that correct data was collected and used in accurate assistance payment calculations for each eligible participant

*Auditor’s Recommendation:* I recommend that quality control procedures be reviewed and revised to ensure that all required documentation is maintained in each file to support eligibility. Procedures should be developed to ensure that all intake staff are familiar with the policies established in the Housing Authority’s Section 8 Admin Plan and that they are trained in the proper procedures for applying those policies and HUD regulations.

*Grantee Response:* The Section 8 Administrative Plan will be reviewed by all staff. Additionally, it will be requested that the Board of Commissioners approve additional training for the current Section 8 staff. The Housing Authority Section 8 staff will review its current quality control procedures and more quality control checks of files will be completed by individuals not completing the participant intake paper work. The Executive Director, Elizabeth Ellis will complete additional quality control checks during FYE 2014 and will research applicable training for all staff members to attend during FYE 2014.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
JUNE 30, 2013**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
A/R - business activities	----	\$ 1,109.85		----
Sundry	4190		\$ 874.31	2892
Unrestricted net assets	2892		235.54	2892
(To reclassify AJE entry made 03/31/13 and post prior year audit adjustments)				
(2)				
Prepaid insurance	1211	\$ 1,425.00		1211
Insurance expense - property	4510	3,323.50		2892
Insurance expense - liability	4512		\$ 8,850.50	2892
Insurance expense - other	4513	4,102.00		2892
(To record prepaid on D & O insurance policy PKI0001843, not cancelled until 09/2013)				
(3)				
Current year soft costs - CFP	4590	\$ 4.76		2892
CIAP contributions	8026	.54		2892
Deferred revenue	2200		\$ .54	2200
Employee benefits - admin	4182		4.76	2892
(To record deferred revenue for CFP and adjust expenditures to actual)				
(4)				
Land, structures and equipment	1400.4	\$ 29,350.00		1400.4
Depreciation expense	4800	3,843.46		2891
Accumulated depreciation	1405		\$ 22,235.19	1405
Gain on sale of assets	3691		10,958.27	2891
(To add back utility truck bought with 2009 Stimulus Grant; truck is still maintained and used by H/A)				
(5)				
Land, structures & equipment	1400.4	\$ 19,567.40		1400.4
Accounting	4170	3,150.00		2892
A/P - vendor	2111		\$ 22,717.40	2111
(To record purchase of professional services conducted for June 2013)				
(6)				
A/R - HUD (Operating Fund 2012)	1125.1	\$ 129.00		1125.1
A/R - HUD (Operating Fund 2013)	1125.2	68,279.33		1125.2
HUD contributions	8020		\$ 68,408.33	2892
(To record operating subsidy obligated to H/A as of FY 2013)				
(7)				
A/P - security deposits	2114	\$ 300.00		2114
Rent	3110	2,565.00		2892
Water	4310		\$ 296.85	2892
Electric	4320		387.78	2892
A/P - state and local	2119		2,180.37	2119
(To record transactions related to the house donated by the City of Bicknell for FY 2013)				

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
JUNE 30, 2013**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Prepaid insurance	1600	\$ 1,425.00		1600
Insurance expense - worker's comp	4511	1,562.00		3000
Insurance expense - other	4510	531.70		3000
Insurance expense - liability	4512		\$ 3,518.70	3000
(To record prepaid insurance - D & O policy PKI0001843 and reclassify expense)				
(2)				
Telephone	4190.1	\$ 263.36		3000
Sundry	4190	283.00		3000
Vendor payable	2111		\$ 546.36	2111
(To record liability for invoices received June, paid July)				
<u>State and Local</u>				
(1)				
Land	1400.4	\$ 4,400.00		1400.4
House	1400.4	72,600.00		1400.4
Donation - City of Bicknell	3690		\$ 77,000.00	2891
(To record receipt of house at 215 N. Bruceville Avenue, Bicknell)				
(2)				
Security deposit	2114		\$ 300.00	2114
Rent income	3110		2,565.00	2892
Due to/from LIPH	1129	\$ 2,865.00		1129
(To record rent received from tenant as of 06/30/2013)				
(3)				
Water and sewer	4310	\$ 296.85		2892
Electric	4320	387.78		2892
Due to/from LIPH	1129		\$ 684.63	1129
(To record utilities paid by LIPH for April - June 2013)				
(4)				
Depreciation expense	4800	\$ 454.00		2891
Accumulated depreciation	1400.5		\$ 454.00	1400.5
(To record three months depreciation on house acquired 04/13/2013)				
<u>Business Activities</u>				
(1)				
Sundry	4190	\$ 1,109.85		2810
Accounts payable - LIPH	----		\$ 1,109.85	----
(To reclassify YE #1 entry and post prior year audit adjustment)				

## Knox County Housing Authority (IN067)

BICKNELL, IN

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$46,235	\$2,527		\$15,581	\$64,343		\$64,343
112 Cash - Restricted - Modernization and Development	\$12,738				\$12,738		\$12,738
113 Cash - Other Restricted							
114 Cash - Tenant Security Deposits	\$23,020				\$23,020		\$23,020
115 Cash - Restricted for Payment of Current Liabilities	\$577				\$577		\$577
100 Total Cash	\$82,570	\$2,527	\$0	\$15,581	\$100,678	\$0	\$100,678
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects	\$68,408				\$68,408		\$68,408
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous	\$3,837				\$3,837		\$3,837
126 Accounts Receivable - Tenants	\$2,065				\$2,065		\$2,065
126.1 Allowance for Doubtful Accounts - Tenants	\$0				\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$2,354				\$2,354		\$2,354
128 Fraud Recovery							
128.1 Allowance for Doubtful Accounts - Fraud							
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$76,664	\$0	\$0	\$0	\$76,664	\$0	\$76,664
131 Investments - Unrestricted	\$12,000				\$12,000		\$12,000
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$40,823	\$9,036			\$49,859		\$49,859
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From	\$1,110		\$2,180		\$3,290	-\$3,290	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$213,167	\$11,563	\$2,180	\$15,581	\$242,491	-\$3,290	\$239,201
161 Land	\$1,002,773		\$4,400		\$1,007,173		\$1,007,173
162 Buildings	\$3,217,206		\$72,600		\$3,289,806		\$3,289,806
163 Furniture, Equipment & Machinery - Dwellings	\$136,831				\$136,831		\$136,831
164 Furniture, Equipment & Machinery - Administration	\$333,808	\$7,985		\$4,422	\$346,215		\$346,215
165 Leasehold Improvements	\$322,082				\$322,082		\$322,082
166 Accumulated Depreciation	-\$2,793,732	-\$1,597	-\$454	-\$4,422	-\$2,800,205		-\$2,800,205
167 Construction in Progress							
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,218,968	\$6,388	\$76,546	\$0	\$2,301,902	\$0	\$2,301,902
171 Notes, Loans and Mortgages Receivable - Non-Current	\$23,740				\$23,740		\$23,740
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$2,242,708	\$6,388	\$76,546	\$0	\$2,325,642	\$0	\$2,325,642
190 Total Assets	\$2,455,875	\$17,951	\$78,726	\$15,581	\$2,568,133	-\$3,290	\$2,564,843



## Knox County Housing Authority (IN067)

BICKNELL, IN

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$25,899	\$546			\$26,445		\$26,445
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable		\$5,995			\$5,995		\$5,995
322 Accrued Compensated Absences - Current Portion	\$9,668	\$4,846			\$14,514		\$14,514
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government							
341 Tenant Security Deposits	\$23,020		\$300		\$23,320		\$23,320
342 Deferred Revenues	\$577				\$577		\$577
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds							
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities							
346 Accrued Liabilities - Other	\$4,640				\$4,640		\$4,640
347 Inter Program - Due To	\$2,180			\$1,110	\$3,290	-\$3,290	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$85,984	\$11,387	\$300	\$1,110	\$78,781	-\$3,290	\$75,491
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue							
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other							
354 Accrued Compensated Absences - Non Current							
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities							
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$85,984	\$11,387	\$300	\$1,110	\$78,781	-\$3,290	\$75,491
508.1 Invested In Capital Assets, Net of Related Debt	\$2,218,968	\$6,388	\$76,546		\$2,301,902		\$2,301,902
511.1 Restricted Net Assets							
512.1 Unrestricted Net Assets	\$170,923	\$176	\$1,880	\$14,471	\$187,450	\$0	\$187,450
513 Total Equity/Net Assets	\$2,389,891	\$6,564	\$78,426	\$14,471	\$2,489,352	\$0	\$2,489,352
600 Total Liabilities and Equity/Net Assets	\$2,455,875	\$17,951	\$78,726	\$15,581	\$2,568,133	-\$3,290	\$2,564,843

## Knox County Housing Authority (IN067)

BICKNELL, IN

## Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$143,483		\$2,565		\$146,048		\$146,048
70400 Tenant Revenue - Other	\$24,011				\$24,011		\$24,011
70500 Total Tenant Revenue	\$167,494	\$0	\$2,565	\$0	\$170,059	\$0	\$170,059
70600 HUD PHA Operating Grants	\$309,195	\$1,238,569			\$1,547,764		\$1,547,764
70610 Capital Grants	\$147,175				\$147,175		\$147,175
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue					\$0	\$0	\$0
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$1,326	\$36			\$1,362		\$1,362
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery							
71500 Other Revenue	\$10,642		\$77,000		\$87,642		\$87,642
71600 Gain or Loss on Sale of Capital Assets	-\$3,427				-\$3,427		-\$3,427
72000 Investment Income - Restricted							
70000 Total Revenue	\$652,405	\$1,238,605	\$79,565	\$0	\$1,950,575	\$0	\$1,950,575
91100 Administrative Salaries	\$74,710	\$85,047			\$159,757		\$159,757
91200 Auditing Fees	\$2,910	\$2,910			\$5,820		\$5,820
91300 Management Fee							
91310 Book-keeping Fee							
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative	\$21,333	\$29,836			\$51,169		\$51,169
91600 Office Expenses	\$12,366	\$18,883			\$31,249		\$31,249
91700 Legal Expense	\$5,025	\$1,128			\$6,153		\$6,153
91800 Travel	\$4,330	\$1,669			\$6,019		\$6,019
91810 Allocated Overhead							
91900 Other	\$13,332	\$15,278		\$288	\$28,898		\$28,898
91000 Total Operating - Administrative	\$134,006	\$154,771	\$0	\$288	\$289,065	\$0	\$289,065
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	\$6,417			\$1,426	\$7,843		\$7,843
92500 Total Tenant Services	\$6,417	\$0	\$0	\$1,426	\$7,843	\$0	\$7,843



## Knox County Housing Authority (IN067)

BICKNELL, IN

## Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
93100 Water	\$38,450		\$297		\$38,747		\$38,747
93200 Electricity	\$13,226		\$388		\$13,614		\$13,614
93300 Gas	\$4,521				\$4,521		\$4,521
93400 Fuel							
93500 Labor							
93600 Sewer							
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense	\$12,838				\$12,838		\$12,838
93000 Total Utilities	\$69,035	\$0	\$685	\$0	\$69,720	\$0	\$69,720
94100 Ordinary Maintenance and Operations - Labor	\$38,372				\$38,372		\$38,372
94200 Ordinary Maintenance and Operations - Materials and Other	\$32,670	\$900			\$33,570		\$33,570
94300 Ordinary Maintenance and Operations Contracts	\$16,227				\$16,227		\$16,227
94500 Employee Benefit Contributions - Ordinary Maintenance	\$6,514				\$6,514		\$6,514
94000 Total Maintenance	\$93,783	\$900	\$0	\$0	\$94,683	\$0	\$94,683
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$33,530				\$33,530		\$33,530
96120 Liability Insurance	\$2,052	\$1,139			\$3,191		\$3,191
96130 Workmen's Compensation	\$1,284	\$1,562			\$2,846		\$2,846
96140 All Other Insurance	\$4,102	\$532			\$4,634		\$4,634
96100 Total Insurance Premiums	\$40,968	\$3,233	\$0	\$0	\$44,201	\$0	\$44,201
96200 Other General Expenses	\$1,052				\$1,052		\$1,052
96210 Compensated Absences							
96300 Payments in Lieu of Taxes	\$5,625				\$5,625		\$5,625
96400 Bad debt - Tenant Rents							
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$6,677	\$0	\$0	\$0	\$6,677	\$0	\$6,677
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$350,886	\$158,904	\$685	\$1,714	\$512,189	\$0	\$512,189
97000 Excess of Operating Revenue over Operating Expenses	\$281,519	\$1,079,701	\$78,880	-\$1,714	\$1,438,386	\$0	\$1,438,386

## Knox County Housing Authority (IN067)

BICKNELL, IN

## Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$2,581				\$2,581		\$2,581
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments		\$1,269,569			\$1,269,569		\$1,269,569
97350 HAP Portability-In							
97400 Depreciation Expense	\$159,252	\$1,597	\$454		\$161,303		\$161,303
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$512,719	\$1,430,070	\$1,139	\$1,714	\$1,945,642	\$0	\$1,945,642
10010 Operating Transfer In	\$12,257	\$4,884			\$17,141	-\$17,141	\$0
10020 Operating transfer Out	-\$12,257			-\$4,884	-\$17,141	\$17,141	\$0
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$0	\$4,884	\$0	-\$4,884	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$119,686	-\$186,581	\$78,426	-\$8,598	\$4,933	\$0	\$4,933
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$2,269,971	\$177,096	\$0	\$37,148	\$2,484,185		\$2,484,185
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$234	\$16,079		-\$16,079	\$234		\$234
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity		\$6,564			\$6,564		\$6,564
11180 Housing Assistance Payments Equity		\$0			\$0		\$0
11190 Unit Months Available	888	4008			4896		4896
11210 Number of Unit Months Leased	870	4006			4876		4876
11270 Excess Cash	\$64,382				\$64,382		\$64,382
11610 Land Purchases	\$0				\$0		\$0
11620 Building Purchases	\$171,229				\$171,229		\$171,229
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$30,917				\$30,917		\$30,917
11650 Leasehold Improvements Purchases	\$3,538				\$3,538		\$3,538
11660 Infrastructure Purchases	\$0				\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0		\$0

Board of Commissioners  
Knox County Housing Authority  
Bicknell, Indiana

In planning and performing my audit of the financial statements of Knox County Housing Authority as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Knox County Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Knox County Housing Authority's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

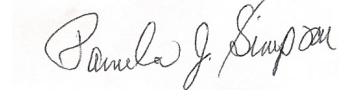
My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

1. Rent income is being recorded on a cash basis with no collection loss write offs being maintained. This method caused an understatement of revenue and an understatement of collection losses although the transactions net themselves out. All transactions should be recorded at gross.
2. While reviewing the agency's SEMAP certification, the Housing could not provide written documentation to substantiate that the required number of participant files and units had been tested as a basis for waiting list testing. This documentation must to be retained as support and detailed for the certification.
3. The Board of Commissioners has approved changing the meeting dates to the 2<sup>nd</sup> Monday of each month. This Board action also requires a by law changes.



4. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
5. While reviewing the current capitalization policy of the Housing Authority, it was noted that the current policy does not provide guidelines for the useful lives of assets. It is suggested that the Housing Authority review and amend its current capitalization policy to list the guidelines for useful lives for different asset categories.
6. The new personnel policy developed by Management and the Board was reviewed during the current audit. I noted that the policy does not address whether or not the agency is liable to payout sick and personal days earned but not used at termination. This issue needs to be addressed in an amended policy so that the liability (if one exists) can be properly recorded.

This communication is intended solely for the information and used of management, the Board of Commissioners, and others within the housing authority, and is not intended to be and should not be used by anyone other than these specified parties. Please feel free to contact me if you have any questions.

A handwritten signature in cursive script, reading "Pamela J. Simpson".

Decatur, Illinois  
October 3, 2013

Certified Public Accountant