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State Examiner

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January 17, 2025

Board of Commissioners
Knox County Housing Authority
Knox County, Indiana

We have reviewed the audit report of Knox County Housing Authority, which was opined on by Barry E. Gaudette, CPA, PC, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Knox County Housing Authority as of June 30, 2024, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

**KNOX COUNTY HOUSING AUTHORITY
KNOX COUNTY, INDIANA
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2024
AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

KNOX COUNTY HOUSING AUTHORITY
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INTRODUCTION

Barry E. Gaudette, CPA, PC
3149 Lake Meadows Circle
Traverse City, Michigan 49685

Independent Auditor's Report

To the Board of Commissioners
Knox County Housing Authority
Knox County, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Knox County Housing Authority (the "Authority"), as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for the twelve months beyond the financial statements date, including any currently information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that individually or in the aggregate, they could influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The financial data schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 our opinion, the financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 the Authority's internal control over financial reporting and compliance.

Barry E. Gaudette, CPA, PC

September 20, 2024

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2024
(Unaudited)

This section of the Knox County Housing Authority, Indiana (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on June 30, 2024. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

The term "Net Position" refers to the difference between assets and liabilities. The Authority's total net position as of June 30, 2024 was \$2,185,978. The net position increased by \$176,876, an increase of 8.8% over the prior fiscal year.

Revenues for the Authority were \$2,301,572 for fiscal year ended June 30, 2024. This was an increase of \$276,118 or 13.6% over the prior fiscal year.

Expenses for the Authority were \$2,124,696 for the fiscal year ended June 30, 2024. This was an increase of \$145,745 or 7.4% over the prior fiscal year.

Tenant revenue for the Authority was \$378,601 or 16.4% of total revenues for the fiscal year ended June 30, 2024. This was an increase of \$74,021 or 24.3% over the prior fiscal year.

Governmental grants and subsidy for the Authority was \$1,909,675 or 78.6% of total revenues for the fiscal year ended June 30, 2024. This was an increase of \$199,872 or 11.7% over the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this Management Discussion and Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. This report also contains the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2024
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Required Financial Statements

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. The Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows are also required.

Notes to the Financial Statements

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

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Authorities to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$2,185,978 at the close of the fiscal year ended June 30, 2024, up from \$2,009,102 in fiscal year 2023. The increase in net position of \$176,876. The unrestricted net position had a positive balance of \$563,397 as of June 30, 2024. This amount may be used for ongoing obligations when positive. The Housing Authority net position classified \$12,428 as restricted, if any they would be subject to external restrictions on how they may be used.

The unrestricted net position had a positive balance of \$563,397 as of June 30, 2024. This amount may be used for ongoing obligations when positive. The Housing Authority net position classified \$12,428 as restricted, if any they would be subject to external restrictions on how they may be used.

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2024
(Continued)

FINANCIAL ANALYSIS (Continued)

CONDENSED STATEMENTS OF NET POSITION

	06/30/24	06/30/23	Dollar Change
Current and other assets	\$ 729,422	\$ 523,537	\$ 205,885
Capital assets, net	1,610,153	1,620,734	(10,581)
Deferred outflow of resources	60,888	60,423	465
Total Assets	<u>2,400,463</u>	<u>2,204,694</u>	<u>195,769</u>
Current liabilities	84,255	73,043	11,212
Non current liabilities	127,017	114,175	12,842
Deferred inflow of resources	3,214	8,374	(5,160)
Total Liabilities	<u>214,486</u>	<u>195,592</u>	<u>18,894</u>
Net Position:			
Net Investment in capital assets	1,610,153	1,620,734	(10,581)
Restricted net position	12,428	12,217	211
Unrestricted net position	<u>563,397</u>	<u>376,151</u>	<u>187,246</u>
Total Net Position	<u>\$ 2,185,978</u>	<u>\$ 2,009,102</u>	<u>\$ 176,876</u>

Total current assets increase of \$205,885 was due, in large part, to operating cash flows of \$318,704.

Total current liabilities increase of \$11,212 was due, in large part, to accounts payable-PILOT increasing by \$8,458 and accrued liabilities increasing by \$14,415.

Non-current liabilities increased by \$12,842 due to accrued pension liability increasing by \$6,602 and accrued compensated absences increasing by \$3,224.

The largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less accumulated depreciation. The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2024
(Continued)

FINANCIAL ANALYSIS (Continued)

Revenues:

As can be seen in the following table total revenues and contributions increased by \$276,118, in large part, due to an increase of \$199,872 in HUD operating grants over the prior fiscal year.

Knox County Housing Authority's primary revenue sources are subsidies and grants received by HUD. For the fiscal year ending June 30, 2024, revenue generated by the Housing Authority accounted for \$382,486 (or 16.6% of total revenue), while HUD contributions accounted for \$1,909,675 (or 83.0% of total revenue).

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

	<u>06/30/24</u>	<u>06/30/23</u>	<u>Dollar Change</u>
Revenues and contributions			
Operating, non operating, capital contributions:			
Tenant revenue	\$ 378,601	\$ 304,580	\$ 74,021
Tenant revenue – other	3,885	6,337	(2,452)
Total Tenant revenue	<u>382,486</u>	<u>310,917</u>	<u>71,569</u>
HUD operating grants	1,909,675	1,709,803	199,872
Investment income	10,776	3,899	6,877
Fraud recovery	140	0	140
Other revenue	15,823	835	14,988
Loss on sale of capital assets	<u>(17,328)</u>	<u>0</u>	<u>(17,328)</u>
Total Revenues and Contributions	<u>2,301,572</u>	<u>2,025,454</u>	<u>276,118</u>
Expenses			
Personnel services	321,820	332,227	(10,407)
Utilities	183,150	195,071	(11,921)
Maintenance & operations	75,776	85,710	(9,934)
Insurance	62,576	58,071	4,505
General expenses	28,366	11,342	17,024
Other supplies and expenses	69,501	69,732	(231)
Housing Assistance Payments	1,311,155	1,152,238	158,917
Depreciation	<u>72,352</u>	<u>74,560</u>	<u>(2,208)</u>
Total Expenses	<u>2,124,696</u>	<u>1,978,951</u>	<u>145,745</u>
Change in net position	176,876	46,503	130,373
Beginning net position	<u>2,009,102</u>	<u>1,962,599</u>	<u>46,503</u>
Ending position	<u>\$ 2,185,978</u>	<u>\$ 2,009,102</u>	<u>\$ 176,876</u>

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2024
(Continued)

FINANCIAL ANALYSIS (Continued)

Expenses:

Total expenses for the fiscal year ending June 30, 2024 were \$2,124,696 while for the fiscal year ending June 30, 2023, they were \$1,978,951. This represents a 7.4% increase in our operating costs. The expenses increased, in large part, due to Housing Assistance Payments increasing by \$158,917.

The following represents changes in Federal Assistance received:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Dollar Change</u>
Public Housing Operating Subsidy	\$ 240,473	\$ 227,540	\$ 12,933
Capital Fund Program Grants Section 8 Housing Choice Voucher Program	198,325	198,965	(640)
	<u>1,470,877</u>	<u>1,283,298</u>	<u>187,579</u>
Total	<u>\$ 1,909,675</u>	<u>\$ 1,709,803</u>	<u>\$ 199,872</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Public Housing increased mainly due HUD increasing its funding formula amount for the Housing Authority. The Housing Choice Voucher Program increased due to more units being leased.

CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
June 30,

	<u>2024</u>	<u>2023</u>	<u>Dollar Change</u>
Land	\$ 1,007,173	\$ 1,007,173	\$ 0
Buildings	3,457,910	3,495,897	(37,987)
Furniture, equipment and machinery			
- Dwellings	17,211	47,042	(29,831)
Furniture, equipment and machinery			
- Administration	207,131	209,368	(2,237)
	<u>4,689,425</u>	<u>4,759,480</u>	<u>(70,055)</u>
Accumulated depreciation	<u>(3,079,272)</u>	<u>(3,138,746)</u>	<u>59,474</u>
Total	<u>\$ 1,610,153</u>	<u>\$ 1,620,734</u>	<u>\$ (10,581)</u>

**Knox County Housing Authority
Management's Discussion and Analysis (MD&A)**

June 30, 2024

(Continued)

CAPITAL ASSETS (Continued)

Capital assets decreased by \$(10,581) because of the disposal of assets of \$(70,055), depreciation expense of \$(72,352), and disposal of accumulated depreciation of \$131,826.

The Housing Authority used capital funds for a sidewalk & sod project on Powell Street, a retaining wall project at Hodge Street, a speed limit sign, a security system upgrade and installation, a garden shed, flooring, a couple of HVAC's and five Lenovo computers, accessories and setup, purchase two coin-op speed queen electric dryers and purchase a 2018 Ford Transit Connect.

Capital projects planned for the next year include the following:

The planned capital expenditures for the next year include ongoing operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2024 Public Housing budget. The user charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on occupied units and approved vacancies, utility consumption and rates, approved add-ons, formula income, and transition funding. The amount of funding is also established and approved by HUD. Formula income is based on rental income from the Authority's rent roll records for the period specified by HUD. Operating expenses are expected to increase by the economy's inflation rate.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Executive Director, Knox County Housing Authority, 11 Powell Street, Bicknell, Indiana 47512.

FINANCIAL STATEMENTS

Knox County Housing Authority
Statement of Net Position
June 30, 2024

ASSETS

Current Assets:

Cash and cash equivalents	\$	673,245
Accounts receivable, net		20,981
Accrued interest receivable		19
Prepaid expenses		13,967
Investments- restricted		12,334
Inventories, net		8,876
Total Current Assets		729,422

Capital Assets:

Land		1,007,173
Buildings		3,457,910
Equipment		224,342
		4,689,425
Less: accumulated depreciation		(3,079,272)
Net Capital Assets		1,610,153

Deferred Outflow of Resources		60,888
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Total Assets		\$ 2,400,463
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LIABILITIES and NET POSITION

Current Liabilities:

Accounts payable	\$	43,641
Accrued expenses		14,659
Tenant security deposit liability		22,840
Unearned revenue		3,115
Total Current Liabilities		84,255

Non-Current Liabilities:

Accrued compensated absences		11,608
Accrued Pension		115,409
		127,017

Total Non-Current Liabilities		127,017
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Total Liabilities		211,272
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Deferred Inflow of Resources		3,213
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Net Position:

Net investment in capital assets		1,610,153
Restricted net position		12,428
Unrestricted net position		563,397
Total Net Position		2,185,978

Total Liabilities and Net Position		\$ 2,400,463
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See notes to financial statements

Knox County Housing Authority
Statement of Revenues, Expenses, And
Changes in Net Position
Year Ended June 30, 2024

OPERATING REVENUES:

Dwelling rent	\$ 378,601
Tenant revenue-other	3,885
Operating grants	<u>1,909,675</u>
Total operating revenues	<u>2,292,161</u>

OPERATING EXPENSES:

Administrative	278,015
Utilities	183,150
Maintenance	181,282
Insurance	62,576
General expenses	36,166
Housing assistance payments	1,311,155
Depreciation	<u>72,352</u>
Total operating expenses	<u>2,124,696</u>
Operating income (loss)	<u>167,465</u>

NONOPERATING REVENUES (EXPENSES):

Investment interest income – Unrestricted	10,659
Investment interest income – Restricted	117
Fraud recovery	140
Other revenue	15,823
Loss on sale of capital assets	<u>(17,328)</u>
Total non operating revenues	<u>9,411</u>
Income (loss) before contributions	176,876

CAPITAL CONTRIBUTIONS

	<u>0</u>
Change in net position	176,876
Net Position, beginning	<u>2,009,102</u>
Net Position, ending	<u>\$ 2,185,978</u>

See notes to financial statements

Knox County Housing Authority
Statement of Cash Flows
Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and non dwelling rents	\$	381,150
Cash received from operating grants		1,941,224
Cash payments to other suppliers of goods and services		(1,673,477)
Cash payments to employees for services		(319,683)
Cash payments for payments in lieu of taxes		<u>(10,510)</u>
Net cash provided by operating activities		<u>318,704</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits		<u>200</u>
Net cash provided by noncapital financing activities		<u>200</u>

CASH FLOW FROM CAPITAL AND RELATED FINANCING

Adjustments to capital assets		(81,059)
Capital contributions		<u>0</u>
Net cash (used) by capital and related financing activities		<u>(81,059)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Fraud recovery		140
Investments		(117)
Other revenue		15,823
Receipts of interest income – unrestricted and restricted		<u>10,776</u>
Net cash provided by investing activities		<u>26,622</u>

Net increase (decrease) in cash		264,467
Cash and cash equivalents, beginning		<u>408,778</u>
Cash and cash equivalents, ending	\$	<u>673,245</u>

See notes to financial statements

Knox County Housing Authority
Statement of Cash Flows (Continued)
Year Ended June 30, 2024

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$	167,465
Adjustments to reconcile operating (loss) to net cash provided (used)		
By operating activities:		
Depreciation		72,352
Allowance obsolete inventories		11
Allowance for bad debts		1,812
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants		(3,148)
Accounts receivable – HUD		31,549
Prepaid expenses		28,864
Inventory		(389)
Deferred outflow of resources		(465)
Increase (decrease) in liabilities:		
Accounts payable-trade		(4,822)
Accounts payable-PILOT		8,458
Accrued wages/payroll taxes payable		(2,063)
Accrued compensated absences		3,224
Accrued liabilities – other		14,415
Deferred inflow of resources		(5,161)
Deferred outflow or resources		(465)
Accrued pension		6,602
		6,602
Net cash provided by operating activities	\$	318,704

See notes to financial statements

Knox County Housing Authority
Notes to Financial Statements
June 30, 2024

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Knox County Housing Authority (“KCHA” or “Housing Authority”) is an independent municipal entity created by Knox County pursuant to Indiana state law and the National Housing Act of 1937. Although the Housing Authority maintains close ties with the County in several respects, the Housing Authority is not a component unit of the County, as defined by the Governmental Accounting Standards Board, since the County is not financially accountable for the operations of the Housing Authority, and has no responsibility to fund its deficits or receive its surpluses. The Housing Authority operates under a Board of Commissioner form of government to provide safe and decent housing for eligible low and moderate income families and elderly individuals. The Board is comprised of seven members, all County residents. The Board appoints an Executive Director who acts as the Secretary of the Housing Authority.

1. Reporting Entity

The Housing Authority’s financial statements include the accounts of all of the Housing Authority’s operations. The Housing Authority maintains its accounting records by program and operates the following programs:

Low Income Public Housing

This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Housing Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and/or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Housing Authority receives grants from HUD to subsidize operating costs. Tenants are charged rents based on a percentage of their incomes. HUD subsidizes 74 federal public housing units through this program.

Public Housing Capital Fund

HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Housing Authority under the Low Income Public Housing Program. A designated portion of these funds may also be used to support operations and to make improvements in the management and operation of the Housing Authority’s Low Income Public Housing Program.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Reporting Entity (Continued)

Section 8 Housing Choice Vouchers

HUD provides grants to the Housing Authority to subsidize rents paid by low income families and issued vouchers affording them choices in renting from private landlords. The Housing Authority subsidizes the landlord for the differences between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard. This program provided rental assistance to approximately 266 families and individuals this year.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government. For the most part, interfund activity has been eliminated in the preparation of these statements.

The Housing Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund.

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Housing Authority are charges to customers for rents. 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.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the nonoperating revenue and expense.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Basis of Accounting (Continued)

If/when, both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

The Housing Authority adopts a formal operating budget each year for its operating programs and on a project-length basis for its capital expenditures, which are approved by the board of Commissioners and submitted to the U.S. Department of Housing and Urban Development for their approval, if required.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts. The cash equivalents are recorded at cost, which approximates market.

7. Tenant Accounts Receivable and Allowance for Bad Debts

Accounts receivable have been adjusted for all Knoxn uncollectible accounts.

8. Prepaid Expenses

Prepaid expenditures, such as insurance premiums and deferred costs, which are expected to be written off within the next fiscal year, are included in net current assets.

9. 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 is 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.

10. Inter-Program Activity

During the course of operations, transactions occur within individual programs that may result in amounts owed or transfers between programs. Offsetting inter-program receivables and payables as well as offsetting inter-program transfers are eliminated for financial statement presentation. For the year ended June 30, 2024, there were no inter-program receivables and payables and there was \$198,325 in operating transfers.

11. 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.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Buildings and Equipment

Buildings and equipment are recorded at historical cost. Costs in excess of \$500 that materially add to the productive capacity and extend the life of an asset longer than one year are capitalized, while maintenance and repair costs are expensed as incurred. Buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	15	-	40 years
Equipment	5	-	10 years

Land and land improvements include approximately \$1,007,173 of capitalized land that is not subject to depreciation.

13. Income Taxes

The Housing Authority is a quasi-governmental entity. The Housing Authority is not subject to Federal or State income taxes.

14. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

15. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will, when applicable, report separate sections for deferred outflows or resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources* a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

16. 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 are reported as non operating revenues and expenses.

A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. Operating and Non-operating Revenues

The Authority's policy defines operating revenues as rents, excess utilities, and other service charges to tenants. Federal subsidies, capital grants, interest income and unusual revenues are classified as non-operating revenues.

18. Unearned Revenue

The Housing Authority reports unearned revenue in connection with resources that have been received, but not yet earned.

19. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

20. Net Position

Net positions are comprised of three categories (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The Housing Authority's positive value of unrestricted net position in the primary government may be used to meet ongoing obligations. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Housing Authority's policy is to first apply restricted resources. Each component of net position is reported separately on the statement of net position.

- i. Net Investment in capital assets – This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- ii. Restricted – This category equals the restricted cash of the Housing Authority and consists of net position restricted for use by (1) external groups such as grantors, creditors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- iii. Unrestricted – This category includes all of the remaining net position that do not meet the definition of the other two categories.

21. Subsequent Events

The financial statements and related disclosures include evaluation of events through and including September 20, 2024, which is the date the financial statements were available to be issued.

B: CASH AND CASH EQUIVALENTS

Indiana Code authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Indiana. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Indiana or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Indiana.

The Housing Authority has designated one bank for the deposit of its funds. The Housing Authority's deposits are included on the balance sheet under the classification cash and cash equivalents and consist of the following:

Cash – operations	\$	673,245
Investments		<u>12,334</u>
Total	\$	<u>685,579</u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of June 30, 2024:

Bank deposits (checking, savings, and treasury obligation accounts)	\$	685,379
Petty cash		<u>200</u>
Total	\$	<u>685,579</u>

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it. At year end, the Housing Authority had no bank deposits that were uninsured and uncollateralized.

NOTE C: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

	Balance 06/30/23	Additions/ Transfers	Retirements/ Transfers	Balance 06/30/24
Low Rent Program				
Land	\$ 1,002,773	\$ 0	\$ 0	\$ 1,002,773
Buildings	3,423,297	0	(37,987)	3,385,310
Furniture, equipment & machinery - dwellings	47,042	0	(29,831)	17,211
Furniture, equipment & machinery - administration	195,024	0	(2,238)	192,786
	<u>4,668,136</u>	<u>\$ 0</u>	<u>\$ (70,056)</u>	<u>4,598,080</u>
Less accumulated depreciation	<u>(3,111,817)</u>	<u>\$ (69,385)</u>	<u>\$ 131,827</u>	<u>(3,049,375)</u>
Total	<u>\$ 1,556,319</u>			<u>\$ 1,548,705</u>
	Balance 06/30/23	Additions/ Transfers	Retirements/ Transfers	Balance 06/30/24
Housing Choice Voucher Program				
Furniture, equipment & machinery - administration	\$ 14,344	\$ 1	\$ 0	\$ 14,345
	<u>14,344</u>	<u>\$ 1</u>	<u>\$ 0</u>	<u>14,345</u>
Less accumulated depreciation	<u>(10,443)</u>	<u>\$ (1,153)</u>	<u>\$ 0</u>	<u>(11,596)</u>
Total	<u>\$ 3,901</u>			<u>\$ 2,749</u>
State and Local				
Land	\$ 4,400	\$ 0	\$ 0	\$ 4,400
Buildings	72,600	0	0	72,600
	<u>77,000</u>	<u>0</u>	<u>0</u>	<u>77,000</u>
Less accumulated depreciation	<u>(16,486)</u>	<u>\$ (1,815)</u>	<u>\$ 0</u>	<u>(18,301)</u>
Total	<u>\$ 60,514</u>			<u>\$ 58,699</u>
Combined Totals				<u>\$ 1,610,153</u>

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Low Rent Program	\$ 69,385
Housing Choice Voucher Program	1,152
State and Local	1,815
	<u>\$ 72,352</u>

NOTE D: NON-CURRENT LIABILITIES

As of June 30, 2024, the non-current liabilities are comprised of the following:

Accrued compensated absences- noncurrent portion	\$ 11,608
Accrued pension	115,409
	<u>\$ 127,017</u>

The following is a summary of changes in non-current liabilities for the year ended June 30, 2024:

	<u>Balance 06/30/23</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/24</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ 5,368	\$ 14,808	\$ (8,568)	\$ 11,608	\$ 7,536
Accrued pension	108,807	6,602	(0)	115,409	0
	<u>\$ 114,175</u>	<u>\$ 21,410</u>	<u>\$ (8,568)</u>	<u>\$ 127,017</u>	<u>\$ 7,536</u>

NOTE E: COMMITMENTS AND CONTINGENCIES

Commitments – Construction

At June 30, 2024, the Housing Authority had the following capital fund grants:

	<u>IN36P067501-22</u>	<u>IN36P067501-23</u>	<u>IN36P067501-24</u>
Funds Approved	\$ 199,676	\$ 198,949	\$ 204,791
Funds Expended	(198,965)	(198,325)	(0)
Excess of Funds Approved	<u>\$ 711</u>	<u>\$ 624</u>	<u>\$ 204,791</u>
Funds Advanced (HUD Grants)	\$ 198,965	\$ 198,325	\$ 0
Funds Expended	(198,965)	(198,325)	(0)
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Contingencies

The Housing Authority is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

NOTE F: RISK MANAGEMENT

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Authority carries commercial insurance coverage to cover this risk. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE G: PENSION PLAN

Description of Pension Plan

The Knox County Housing Authority participates in a cost-sharing multiple-employer Pension Plan, as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Indiana Employees' Retirement System (INPRS). INPRS and is based on Title 35 of IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). The Public Employees' Retirement Fund (PERF) Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees. INPRS reports are available online at <https://www.in.gov/inprs/publications/actuarial-valuation-reports/>.

Members include officers and employees of the units of State and local governments in Indiana (referred to as political subdivisions), including counties, cities, towns, townships, libraries, and school corporations. The political subdivisions become participants by resolution of the governing body, which specifies the classifications of employees who will become members of the PERF Hybrid plan.

Benefits Provided

Retirement benefits consist of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. Pension benefits vest after 10 years of creditable service. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100% of the pension benefit component.

A member who is at least 55 years old with sum of age and vesting service equal to 85 or more is eligible for normal retirement and, as such, is entitled to 100% of the pension benefit.

In lieu of a cost of living adjustment (COLA) on January 1, 2023, members in pay were provided a 13th check on October 1, 2023. Therefore, the following COLAs, compounded annually, were assumed:

0.4% beginning on January 1, 2026
0.5% beginning on January 1, 2034
0.6% beginning on January 1, 2039

The PERF hybrid plan also provides disability and survivor benefits.

NOTE G RETIREMENT PLAN (CONTINUED)

Contributions

Members are required by statute to make contributions to the plan as determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10 ,2-2-11. During 2023, all participating employers contributed an average of 11.2% of covered payroll. The Authority's required contribution to the plan for the fiscal year ended September 30, 2023 was \$18,588. A contribution of 3% of covered payroll was contributed by the employees into the annuity savings account portion. The annuity savings account benefit is in addition to the annuity benefits provided by employer contributions. During 2018, the annuity savings accounts were completely separated from the defined benefit plan, and so are no longer relevant to the valuation process.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2024, the Housing Authority reported a liability of \$93,174 for its proportionate share of the net position liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net position liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Housing Authority's proportion of the net pension liability was based on the Housing Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2023, the Housing Authority's proportion was 0.0000327%.

For the year ended June 30, 2024, the Housing Authority recognized pension expense of \$22,696:

At June 30, 2024, the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE G: RETIREMENT PLAN (CONTINUED)***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)***

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,361	\$ 0
Net differences between projected and actual earnings on pension plan investments	26,452	0
Changes in assumptions	6,293	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,053	3,213
Adjustment for the voucher program pension outflow	21,729	0
	<hr/>	<hr/>
Total	\$ 60,888	\$ 3,213

Pension Expense/(Income)

Proportionate Share of Plan Pension Expense	\$ 23,428
Specific Liabilities of Individual Employers	0
Net Amortization of Deferred Amounts from Changes in	(732)
Total	<hr/> \$ 22,696

Supplemental Information

Contributions shown by INPRS (reflects impact of any accruals): \$23,037

Year ended:	Amortization of net Deferred outflows (inflows) or resources
2024	\$ 14,140
2025	1,496
2026	16,708
2027	3,602
2028	0
Thereafter	0
Total	<hr/> \$ 35,946

NOTE G: RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

Significant actuarial assumptions and other inputs used to measure the total pension liability:

Type of Plan	The Public Employees' Retirement Fund is a cost-sharing multiple-employer plan for GASB accounting purposes.
Measurement Date	June 30, 2023
Valuation Date:	
Assets:	June 30, 2023
Liabilities:	June 30, 2023-The TPL as of June 30, 2023 was determined based on an actuarial valuation prepared as of June 30, 2022 rolled forward one year to June 30, 2023, using the following key actuarial assumptions and other inputs, such as benefit accruals and actual benefit payments during that time period.
Inflation	2.00%
Future Salary Increases	2.65%-8.65% based on service
Cost-of-Living Increases	As of June 30, 2023: No COLA was granted for the 2023-2025 Biennium. Thereafter, the following COLAs, Compounded annually, were assumed: 0.4%, 0.5%, and 0.6% beginning on 1/1/26, 1/1/34 and 1/1/39.
Long-Term Expected Rate of Return	6.6%
Discount Rate	6.25%, net of investment expenses:
Salary Increases:	
Inflation	2.00%
Future salary increases	2.65% - 8.65% based on service
Mortality:	Pub-2010 Public Retirement Plans Mortality Tables (Amount Weighted) with a full Generational projection of mortality Improvements using SOA Scale MP-2019. Healthy Employees – General Employee table with a 3 year set forward for males and a 1 year set forward for females, Retirees - General Retiree table with a 3 year set forward for males and 1 year set forward for females, Beneficiaries – Contingent Survivor table with no set forward for males and a 2 year set forward for females. Disableds – General Disabled table with a 140% loan.

NOTE G: RETIREMENT PLAN (CONTINUED)

Single Discount Rate

The discount rate used to measure the total pension liability was 6.25% and is equal to long-term expected return on plan investments, net of administrative expenses. The INPRS Board of Trustees has established a funding policy of setting the employer contribution rate equal to the greater of: 1) the current contribution rate or 2) the actuarially determined contribution rate computed by the actuary using the assumptions and methods selected by the Board for the annual actuarial valuations.

Sensitivity of the Housing Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following presents the Housing Authority's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the Housing Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate.

	1% Decrease to Discount Rate (5.25%)	Current Discount Rate (6.25%)	1% Increase To Discount Rate (7.25%)
Proportionate share of the net pension liability	\$ 188,080	\$ 115,409	\$ 54,816
Net Pension Liability as of 2022			\$ 108,807
:			
Deferred Outflow/inflow of Resources:			
- Differences Between Expected and Actual Experience			429
- Net Difference Between Projected and Actual Investment			13,024
- Change in Assumptions			(3,789)
- Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions			(2,721)
Pension Expense/Income			22,696
Contributions			(23,037)
Total Activity in FY 2023			6,602
Net Pension Liability as of 2023			\$ 115,409

*The pension information is not audited.

SUPPLEMENTARY INFORMATION

*Barry E. Gaudette, CPA, PC
3149 Lake Meadows Circle
Traverse City, Michigan 49685*

Independent Accountant’s Report on Applying Agreed-Upon Procedure

To the Board of Commissioners
Knox County Housing Authority

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Knox County Housing Authority (the “Authority”) and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), on whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of the Authority and the U.S. Department of Housing and Urban Development, PIH-REAC. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the “UFRS Rule information” column with the corresponding printed documents listed in the “Hard Copy Documents” column. The associated findings from the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission of the items listed in the “UFRS Rule Information” column agrees with the related hard copy documents within the audit reporting package. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We were engaged to perform an audit in accordance with the audit requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, for the Knox County Housing Authority as of and for the year ended June 30, 2024, and have issued our reports thereon dated September 20, 2024. The information in the “Hard Copy Documents” column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated September 20, 2024, was expressed in relation to the basic financial statements of the Authority taken as a whole.

Independent Accountant’s Report on Applying Agreed-Upon Procedure

Page Two

A copy of the reporting package required by OMB Uniform Administrative Requirements, which includes the auditor’s reports, is available in its entirety from the Knox County Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

The purpose of this report on applying the agreed-upon procedure is solely to describe the procedure performed on the electronic submission of the items listed in the “UFRS Rule Information” column and the associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

Barry E. Gaudette, CPA, PC

September 20, 2024

ATTACHMENT TO INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURE

Procedure	UFRS Rule Information	Hard Copy Documents	Agrees	Does Not Agree
1	Business Sheet, Revenue and Expense and Cash Flow Data	Financial Data Templates (i.e. the Financial Data Schedule)	X	
2	Footnotes	Footnotes to Audited Basic Financial Statements	X	
3	Type of Opinion on the Financial Statements and Compliance	Auditor’s Reports on the Financial Statements and Compliance	X	
4	Type of Opinion on Financial Data Templates	Auditor’s Supplemental Report on Financial Data Templates	X	

**Knox County Housing Authority
Schedule of Expenditures of Federal Awards
And Notes to the Schedule of Federal Awards
Year Ended June 30, 2024**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Federal Grantor</u>	<u>Type</u>	<u>ALN</u>	<u>Expenditures</u>
<u>U.S. Department of HUD</u>			
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers	A- Major	14.871	\$ 1,470,877
Public and Indian Housing:			
Public and Indian Housing	B –Nonmajor	14.850	240,473
Public Housing Capital Fund			
	B –Nonmajor	14.872	<u>198,325</u>
Total Federal Financial Awards			<u>\$ 1,909,675</u>
Threshold for Type A/Type B Program			<u>\$ 750,000</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

Basis of Accounting - - The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Housing Authority under programs of the federal government for the year ended June 30, 2024. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of the Uniform Guidance, Audit of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in Single Audit Act Amendments of 1996 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), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Because the Schedule presents only a selected portion of the operations of the Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the Housing Authority.

Indirect Cost Rate - - The Authority did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

*Barry E. Gaudette, CPA, PC
3149 Lake Meadows Circle
Traverse City, Michigan 49685*

**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***

To the Board of Commissioners
Knox County Housing Authority
Knox County, Indiana

We 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 business-type activities of the Knox County Housing Authority, Indiana, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Knox County Housing Authority, Indiana's basic financial statements, and have issued our report thereon dated September 20, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Knox County Housing Authority, Indiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Knox County Housing Authority, Indiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Knox County Housing Authority, Indiana'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 a 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.

Our 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 our audit we did not identify any deficiencies in internal control that we 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, Indiana's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our 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 on 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.

Barry E. Gaudette, CPA, PC

September 20, 2024

*Barry E. Gaudette, CPA, PC
3149 Lake Meadows Circle
Traverse City, Michigan 49685*

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Commissioners

Knox County Housing Authority
Knox County, Indiana

Opinion on Each Major Federal Program

We have audited Knox County Housing Authority's (the "Authority") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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 June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee is *not* a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect, fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Barry E. Gaudette, CPA, PC

September 20, 2024

**Knox County Housing Authority
Status of Prior Audit Findings
June 30, 2024**

There were no prior year findings.

Knox County Housing Authority
Schedule of Findings and Questioned Costs
June 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? none reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? none reported

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

Any audit findings disclosed that are required to be reported in accordance with *Audit Requirements for Federal Awards* (Uniform Guidance)? No

Identification of major programs;

<i>ALN Number</i>	<i>Name of Federal Program or Cluster</i>
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14.871	Housing Choice Vouchers Program
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes

Section II - Findings Related to the Financial Statements

There were no findings which are required to be reported under *Government Auditing Standards*.

Section III - Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.