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November 28, 2018

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

We have reviewed the audit report of the Knox County Housing Authority which was opined on by Goldie Roberts, CPA, for the period July 1, 2016 to June 30, 2017. 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, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

KNOX COUNTY HOUSING AUTHORITY

AUDITED FINANCIAL STATEMENTS

Bicknell, Indiana

June 30, 2017

Goldie Roberts

Certified Public Accountant

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

KNOX COUNTY
HOUSING AUTHORITY

Bicknell, Indiana
June 30, 2017

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Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Knox County Housing Authority
11 Powell St
Bicknell, IN 47512

Report on the Financial Statements

I have audited the accompanying financial statements of the Knox County Housing Authority ("the Authority") which comprise the Statement of Net Position as of June 30, 2017, and the related Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the year then ended, and the related Notes to the Financial Statements, which collectively comprise the Knox County Housing Authority's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Knox County Housing Authority as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through vi and Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of the Authority's Contributions on pages 22 through 23 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule, Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principals and Audit Requirements for Federal Awards*, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

In regard to, the Financial Data Schedule, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents, such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Financial Data Schedule, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 13, 2018 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 and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Knox County Housing Authority's internal control over financial reporting and compliance.

Goldie Roberts
Certified Public Accountant

Fredericksburg, Indiana
March 13, 2018

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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, 2017. 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 the Executive Director, Knox County Housing Authority, 11 Powell Place, Tilly Estate Office, Bicknell, Indiana, (812) 735-2006.

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.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Continued)

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 to provide 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.

Future Events (New Business)

There are no future events planned by the Authority during the fiscal year ending June 30, 2017 that will significantly affect the Authority's Net Position either positively or negatively.

KNOX COUNTY HOUSING AUTHORITY
 Bicknell, Indiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2017
 (Continued)

Condensed Comparative Financial Statements

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

Total Current Assets for FYE 2017 were \$169,321, and at FYE 2016, the amount was \$242,900. This represents a decrease of \$73,579.

Total Capital Assets decreased by \$67,688. At FYE 2017 and 2016, the amounts were \$2,014,344 and \$2,082,032 respectively.

Total Liabilities decreased by \$31,437.

Revenues increased by \$2,306 from FYE June 30, 2016. At FYE 2017 and 2016, total revenues were \$1,836,168 and \$1,833,862, respectively.

Total Expenses increased by \$156,510 which is mostly due to an increase in administrative costs and housing assistance payments.

	<u>2017</u>	<u>2016</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	92,360	175,575	(83,215)	-47%
Other Current Assets	70,360	67,325	3,035	5%
Capital Assets	2,014,344	2,082,032	(67,688)	-3%
Noncurrent assets	-	16,313	(16,313)	-100%
Deferred Outflows of resources	64,146	52,600	11,546	22%
Total Assets	\$ 2,241,210	\$ 2,393,845	\$ (152,635)	-6%
Current Liabilities	56,002	52,835	3,167	6%
Long Term Liabilities	118,453	159,658	(41,205)	-26%
Total Liabilities	\$ 174,455	\$ 212,493	\$ (38,038)	-18%
Deferred inflows of resources	38,529	17,245	21,284	123%
Net Invested in Capital Assets	2,014,344	2,082,032	(67,688)	-3%
Restricted Net Position	17,041	28,593	(11,552)	-40%
Unrestricted Net Position	(3,159)	53,482	(56,641)	-106%
Total Net Position	\$ 2,028,226	\$ 2,164,107	\$ (135,881)	-6%

KNOX COUNTY HOUSING AUTHORITY
 Bicknell, Indiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2017
 (Continued)

Analysis of Entity Wide Revenues

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2017 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$390,500
Section 8 Vouchers	\$1,366,537
Capital Funds Program	\$61,949
Business Activities	\$17,182

Total revenues for Fiscal year ending June 30, 2017 were \$1,836,168 as compared to the total revenues for fiscal year ending June 30, 2016 of \$1,833,862. Comparatively, fiscal year ending 2017 revenues were more than fiscal year ending 2016 revenues by \$2,306.

	<u>2017</u>	<u>2016</u>	<u>Net change</u>	<u>Percent Variances</u>
Total tenant revenue	267,912	279,630	(11,718)	-4%
HUD Operating grants	1,501,013	1,536,366	(35,353)	-2%
HUD Capital grants	47,507	-	47,507	0%
Investment income	831	960	(129)	-13%
Other revenue	18,905	16,906	1,999	12%
Total Revenue	<u><u>\$ 1,836,168</u></u>	<u><u>\$ 1,833,862</u></u>	<u><u>\$ 2,306</u></u>	0%

KNOX COUNTY HOUSING AUTHORITY
 Bicknell, Indiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2017
 (Continued)

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending June 30, 2017 were \$1,956,817 as compared to \$1,800,307 of total expenditures for Fiscal Year Ending June 30, 2016. Comparatively, Fiscal Year Ending 2017 expenditures were more than Fiscal Year Ending 2016 expenditures by \$156,510. Changes by major expense category are presented below.

	<u>2017</u>	<u>2016</u>	<u>Net Change</u>	<u>Percent Variances</u>
Administrative	254,263	197,549	56,714	29%
Tenant Services	716	2,017	(1,301)	-65%
Utilities	141,437	134,642	6,795	5%
Ordinary Maintenance	104,394	121,604	(17,210)	-14%
General Expense	70,283	79,294	(9,011)	-11%
Housing Assistance Payments	1,266,910	1,134,730	132,180	12%
Depreciation Expense	118,814	130,471	(11,657)	-9%
Total Expenses	<u>\$ 1,956,817</u>	<u>\$ 1,800,307</u>	<u>\$ 156,510</u>	9%

Budgetary Analysis

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public housing is adopted on the basis of accounting prescribed by the Housing and Urban Development, which differs in some respects from generally accepted accounting principles. Program budgets for the Section 8 Programs are approved by the U.S. Department of Housing and Urban Development.

The Authority prepares a budget on a calendar year because HUD is based on calendar year. Therefore, it is difficult to create a budgetary analysis since the Authority's budget is based on a calendar year and the audit is based on fiscal year ending June 30. The Authority is permitted four years to expend capital funds. Income is only recognized as funds are expended.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Continued)

Analysis of Capital Asset Activity

As of June 30, 2017, the Authority's investment in capital assets was \$2,014,344 (net of accumulated depreciation). The investment includes land, buildings, equipment, and leasehold improvements. Capital outlays for the year were \$51,127 consisting of the following purchases:

- Dwelling structure improvements \$30,281
- A/C for office \$3,620
- 6 computers \$16,118
- Concrete saw \$1,108

Debt Activity

The Housing Authority had no outstanding debt during 2017 or 2016.

FINANCIAL STATEMENTS

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$	68,942
Restricted cash and cash equivalents		35,418
Accounts receivable, net		6,036
Prepaid expenses		25,839
Inventory, net		26,485
Current Assets		162,720

Capital Assets

Land and other nondepreciable assets		1,007,173
Depreciable capital assets, net		1,007,171
Total Capital Assets		2,014,344

Total Assets		2,177,064
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Deferred outflow of resources

Pension related		64,146
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Total Assets and Deferred Outflow of Resources		2,241,210
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LIABILITIES

Current liabilities

Accounts payable		13,141
Accrued liabilities		12,484
Payable from restricted cash and cash equivalents:		
Tenants security deposits		28,233
Unearned revenue		2,144
Total Current Liabilities		56,002

Noncurrent liabilities

Net Pension Liability		118,453
Noncurrent Liabilities		118,453

Total Liabilities		174,455
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Deferred inflow of resources

Pension related		38,529
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NET POSITION

Investment in capital assets		2,014,344
Restricted		17,041
Unrestricted		(3,159)
Total Net Position		\$ 2,028,226

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

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES

Rental income	\$	267,912
Other income		18,896
		286,808
TOTAL OPERATING REVENUE		286,808

OPERATING EXPENSES

Administrative		256,653
Tenant services		716
Utilities		141,437
Ordinary maintenance and operation		106,469
General expense		65,818
Housing Assistance Payments		1,266,910
Depreciation expense		118,814
		1,956,817
TOTAL OPERATING EXPENSES		1,956,817

OPERATING INCOME (LOSS) **(1,670,009)**

NONOPERATING REVENUES

Federal operating grants		1,501,013
Interest income		840
		1,501,853
NET NONOPERATING REVENUES		1,501,853

CAPITAL CONTRIBUTIONS 47,507

CHANGE IN NET POSITION **(120,649)**

TOTAL NET POSITION - BEGINNING OF YEAR, as originally stated 2,164,107

Correction of an error (15,232)

TOTAL NET POSITION - BEGINNING OF YEAR, as restated 2,148,875

TOTAL NET POSITION - END OF YEAR **\$ 2,028,226**

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

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	300,078
Payments to vendors		(356,593)
Payments to landlords		(1,266,910)
Payments to employees		(250,424)
Net Cash Used by Operating Activities		(1,573,849)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants received		1,501,013
Net Cash From Noncapital Financing Activities		1,501,013

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received		47,507
Acquisition and construction of capital assets		(46,726)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities		781

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		840
Net Cash From Investing Activities		840

Net Increase in Cash and Cash Equivalents (71,215)

Cash - Beginning of year		175,575
Cash - End of year	\$	104,360

Reconciliation of Deposits:

Cash and cash equivalents	\$	68,942
Restricted cash and cash equivalents		35,418
Total Deposits	\$	104,360

Continued

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

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

Operating income (loss)	\$	(1,670,009)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation		118,814
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		13,270
Prepaid expenses		4,004
Inventory		(23,170)
Increase (Decrease) in:		
Accounts payable		36,879
Accrued liabilities		(55,781)
Unearned revenue		2,144
		<hr/>
Net Cash Used by Operating Activities	\$	<u>(1,573,849)</u>

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

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - Summary of Significant Accounting Policies and Organization:

The financial statements of the KNOX COUNTY HOUSING AUTHORITY ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity - The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Knox County Housing Authority. There are no component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

The financial statements of the Knox County Housing Authority include the following:

At June 30, 2017, the Housing Authority has 3332 units under management.

<u>Project</u>	<u>Units</u>
Low Income Public Housing	74
Housing Assistance Payments Program: Vouchers	<u>334</u>
Total	<u>408</u>

The Authority is also operating Capital Fund Grant Programs.

Basis of Presentation and Accounting: In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in net position. Under the Accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following net position categories:

Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Restricted: Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

Unrestricted: Net position that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

Budgets - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis.

Budget compared to actual presentation is not presented because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board and approved by HUD. This budget does not represent a legally binding appropriated budget that has been signed into law or a non-appropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board and HUD; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - Deposits consist of checking accounts, Money Market accounts and Certificates of deposit and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority.

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

State statutes authorize the Housing Authority to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by political subdivisions.

Tenant Receivables - Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts. The Authority board takes monthly action as required to write off specific uncollectible accounts receivable balances.

Prepaid - Prepaids represent payments made to vendors for services that will benefit beyond June 30, 2017.

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.

Capital assets - Capital assets purchased are recorded on the Statement of Net Position at the time of purchase. Such assets are recorded at cost. The capitalization policy of the Authority requires assets to be capitalized when their cost is \$500 or more. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

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

<u>Class</u>	<u>Life</u>
Buildings and improvements	15-40 years
Maintenance and Office equipment	5-10 years

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that 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.

Operating Revenues and Expenses - Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

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.

Restricted Assets - When both restricted (if any) and unrestricted resources are available for use, it is the Authorities policy to use unrestricted resources first, then restricted resources as they are allowed.

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 liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leasing Activities (as Lessor) - The Authority is the lessor of dwelling units primarily to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Rental income". Rental income per resident generally remains consistent from year to year, but is affected by general economic conditions which impact personal income, such as local job availability.

NOTE B - Deposits, Cash and Cash Equivalents:

1. HUD Deposit Restrictions

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

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE B - Deposits, Cash and Cash Equivalents: (Continued)

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

2. Risk Disclosures

A. **Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At June 30, 2017, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

B. **Credit Risk:** This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

C. **Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

Deposits made in accordance with state statute (Indiana Code 5-13) with financial institutions in the State of Indiana should be covered to the extent not covered by insurance of any federal deposit insurance agency.

At June 30, 2017, the carrying amount of the Authority's deposits was \$113,887. The deposits are either covered by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third party agents or by a collateralization agreement. Restricted cash consists of tenant security deposits.

Deposits consist of the following:

	<u>Per books</u>	<u>Per banks</u>
Checking accounts	\$ 92,360	\$101,887
Certificate of deposits	12,000	12,000

NOTE C - Accounts Receivable:

Accounts receivable at June 30, 2017, consist of the following:

Tenants	<u>\$ 6,036</u>
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KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE D - Prepaid Expenses and Other Assets:

Prepaid expenses and other assets at June 30, 2017, consist of the following:

Prepaid software costs	\$ 9,526
Prepaid insurance	<u>16,313</u>
Total	<u>\$ 25,839</u>

NOTE E - Inventory:

Inventory at June 30, 2017, consist of the following:

Materials and supplies	<u>\$ 26,485</u>
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Inventories are recorded at cost. The FIFO inventory flow assumption is used to determine expenses. Expenses are recorded when inventory is consumed.

NOTE F - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance 6/30/16	Increases	Decreases	Transfers	Ending Balance 6/30/17
Capital assets, not being depreciated:					
Land	\$ 1,007,173	\$ 0	\$ 0	\$ 0	\$ 1,007,173
Construction in Progress	<u>0</u>	<u>47,507</u>	<u>0</u>	<u>47,507</u>	<u>0</u>
Total Capital Assets, Not being depreciated	<u>1,007,173</u>	<u>47,507</u>	<u>0</u>	<u>47,507</u>	<u>1,007,173</u>
Capital Assets, being depreciated:					
Buildings & Improvements	3,805,061	0	0	33,901	3,838,962
Furniture, Equipment & Machinery	<u>452,260</u>	<u>3,619</u>	<u>0</u>	<u>13,606</u>	<u>469,485</u>
Total Capital Assets, being depreciated	<u>4,257,321</u>	<u>3,619</u>	<u>0</u>	<u>47,507</u>	<u>4,308,447</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	(2,892,447)	(106,148)	0	0	(2,998,595)
Furniture, Equipment and Machinery	<u>(290,015)</u>	<u>(12,666)</u>	<u>0</u>	<u>0</u>	<u>(302,681)</u>
Total Accumulated Depreciation:	<u>(3,182,462)</u>	<u>(118,814)</u>	<u>0</u>	<u>0</u>	<u>(3,301,276)</u>
Total Capital Assets, being depreciated, net	<u>5,264,494</u>	<u>(115,195)</u>	<u>0</u>	<u>47,507</u>	<u>1,007,173</u>
Capital Assets, Net	<u>\$ 2,082,032</u>	<u>\$ (67,688)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,014,344</u>

Depreciation expense of \$118,814 was incurred during the year.

KNOX COUNTY HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE G - Pension Plan:

Description of Pension Plan

Public Employees' Retirement Fund Plan Description

The Public Employees' Retirement Fund (PERF) is a cost-sharing, multiple-employer defined benefit plan based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, or township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two (2) aspects to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid

Plan) and the second is the Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan). Currently, the PERF ASA Only Plan is available only to employees of the State. As of July 1, 2017, employees for political subdivisions may be eligible to participate. Details of the PERF Hybrid Plan and PERF ASA Only Plan are described below.

Membership

PERF members are officers and employees of 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 ordinance or resolution of the governing body, which specifies the classifications of employees who will become members of the PERF Hybrid Plan. The ordinance or resolution is filed with and approved by INPRS. In order to be a member, employees hired after June 30, 1982, except employees of a participating school corporation, must occupy positions normally requiring performance of service of more than 1,000 hours during a year. Effective July 1, 2008, members who have at least one (1) year of service in both PERF and TRF have the option of choosing from which of these funds they would like to retire. As of June 30, 2016, there were 1,166 participating political subdivisions in addition to the State.

Contributions

The State of Indiana is obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During fiscal year 2016, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 11.03 percent was required from employers during the period of July 1 - December 31, 2014, and an average contribution rate of 11.19 percent was required for the period of January 1 - June 30, 2016. For the ASA Only Plan, the State was also required to contribute 11.2 percent of covered payroll. In accordance to IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE G - Pension Plan: (Continued)

member's account shall not be less than 3 percent and not be greater than the normal cost of the fund which was 4.6 percent for fiscal year 2016 and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan. The PERF Hybrid Plan or the PERF ASA Only Plan members contribute three (3) percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. The employer shall pay the member's contributions on behalf of the member for the PERF ASA Only Plan. In addition, members of the PERF Hybrid Plan (effective 7/1/2014 the PERF ASA Only Plan may also participate) may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

PERF Hybrid Plan
Plan Description

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3, and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings account (ASA) that supplements the defined benefit at retirement. Retirement Benefits - Defined Benefit Pension The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. Pension benefits (non ASA) vest after 10 years of creditable service. The vesting period is eight (8) years for certain elected officials. Members are immediately vested in their annuity savings account. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their annuity savings account and will not forfeit creditable service or a full retirement benefit. However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the annuity savings account. A non-vested member who terminates employment prior to retirement may withdraw his/her annuity savings account after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service. A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups. For PERF members who serve as an elected official, the highest one (1) year (total of four (4) consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's annual compensation. 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 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above. A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal

KNOX COUNTY HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(Continued)

NOTE G - Pension Plan: (Continued)

annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent. The monthly pension benefits for members in pay status may be increased periodically as cost survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service. Retirement Benefits - Annuity Savings Account Members are required to participate in an Annuity Savings Account (ASA). The ASA consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, under certain conditions, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their annuity savings accounts. A member's State or political subdivision. Investments in the members' annuity savings accounts are individually directed and controlled by plan participants who direct the investment of their account balances among the following eight (8) investment options, with varying degrees of risk and return potential: Guaranteed Fund - This fund's objective is to provide stability of principal and a competitive interest rate. The interest rate is set by the INPRS Board of Trustees each year and is guaranteed for the fiscal year. Market risk is assumed by the Fund. Large Cap Equity Index Fund - This fund's objective is to seek investment growth/capital appreciation through passive investment in the stocks of the 500 largest U.S. companies. Market risk is assumed by the member. Small/Mid Cap Equity Fund - This fund's objective is to seek investment growth/capital appreciation through both active and passive investment in stocks of small- and mid-sized U.S. companies. Market risk is assumed by the member. International Equity Fund - This fund's objective is to seek investment growth/capital appreciation through both active and passive investment in stocks of non-U.S. companies in both developed and emerging markets. Market risk is assumed by the member. Fixed Income Fund - This fund's objective is to seek total return, consisting of income and capital appreciation. Market risk is assumed by the member. Inflation-Linked Fixed Income Fund - This fund's objective is to provide investors inflation protection and income consistent with investment in inflation-indexed securities. Principal and interest payments are adjusted in response to changes in inflation. Market risk is assumed by the member. Target Date Funds - The Funds are designed to seek an appropriate amount of total return, commensurate with risk, given the specific time horizon of each Fund. The Target Date Funds provide participants with a one-stop shop for investing. Participants simply choose the Fund most appropriate for them based on the year in which they plan to withdraw their money (usually their retirement year). Once a participant selects the appropriate Fund, the underlying asset allocation automatically adjusts over time. Market risk is assumed by the member. Money Market Fund - This fund's objective is to provide a market rate of return consistent with the preservation of capital through a shorter maturity, high quality portfolio. Market risk is assumed by the member. Members may make changes to their investment directions daily and investments are reported at fair market value of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2016; however, eligible members received a one-time check (a.k.a. 13th check) in September 2014. The amount of the one-time check ranged from \$150 to \$450, depending upon a member's years of service, and was for a member who retired or was disabled on or before December 1, 2013, and who was entitled to receive a monthly benefit on July 1, 2014. Disability and Survivor Benefits The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five (5) years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer-provided benefits.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE G - Pension Plan: (Continued)

ASA Only Plan

Plan Description

The PERF ASA Only Plan was established by the Indiana Legislature in 2011 with an effective date of March 1, 2013 and is governed by the INPRS Board of Trustees in accordance with IC 5-10.3-12, and IC 5-10.5. This plan is funded by an employer and a member for the use of the member, or the member's beneficiaries or survivors, after the member's retirement. PERF ASA Only Plan members are full-time employees of the State of Indiana (as defined in IC 5-10.3-7-1(d)), who are in a position eligible for membership in the PERF Hybrid Plan and who elect to become members of the PERF ASA Only Plan. The PERF ASA Only Plan membership does not include individuals who: (1) before March 1, 2013 were members of the PERF Hybrid Plan or (2) on or after March 1, 2013 do not elect to participate in the PERF ASA Only Plan. Any government agency that pays employees through the Auditor of the State is a mandatory participant in the ASA Only Plan and must offer eligible employees the ASA Only Plan option. Quasi-government agencies and State educational institutions may choose to offer the ASA-Only Plan as an option to their employees. Since inception 759 members have selected the ASA Only Plan, or approximately 8 percent of eligible new hires of the State. Currently, the PERF ASA Only Plan is available only to employees of the State. As of July 1, 2017, employees for political subdivisions may be eligible to participate. Retirement Account The PERF ASA Only Plan maintains an annuity savings account for each member. Each member's account consists of two (2) subaccounts within the annuity savings account structure. There is a member contribution subaccount (which is the same as the annuity savings account in the PERF Hybrid Plan) and an employer contribution subaccount. The member's contribution subaccount consists of the member's contributions, set by statute at three (3) percent of covered payroll as defined by IC 5-10.3-12-23 plus the interest/earnings or losses credited to the member's contribution subaccount. The State shall pay the member's contributions on behalf of the member. The employer contribution subaccount consists of the employer's contributions and the earnings on the employer's contributions. The employer contribution rate is set by INPRS Board of Trustees in accordance with IC 5-10.2-2-11. The PERF ASA Only Plan allows members to actively participate in managing their retirement benefits through self directed investment options. All contributions made to a member's account (member contribution subaccount and employer contribution subaccount) are invested as a combined total according to the member's investment elections. The members can direct their investments among the following aforementioned eight (8) investment options: Large Cap Equity Index Fund, Small/Mid Cap Equity Fund, International Equity Fund, Fixed Income Fund, Inflation-Linked Fixed Income Fund, Money Market Fund, Stable Value Fund, and Target Date Funds. A description of each of these Funds is earlier in this note in the PERF Hybrid Plan Retirement Benefits - Annuity Savings Account section, except for the Stable Value Fund: Stable Value Fund (available only to PERF ASA Only members) - This fund's objective is to provide a market rate of return consistent with the preservation of principal through a shorter maturity, high quality portfolio. A member is immediately vested in the member contribution subaccount. In order to receive contributions and earnings from the employer contribution subaccount, a member must meet vesting requirements (full years of participation) to qualify for a distribution. The vesting schedule is as follows: disability insurance benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is \$180 per month, or the actuarial equivalent. Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two (2) or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later,

KNOX COUNTY HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(Continued)

NOTE G - Pension Plan: (Continued)

One (1) year of participation = 20%
Two (2) years of participation = 40%
Three (3) years of participation = 60%
Four (4) years of participation = 80%
Five (5) years of participation = 100%

A member who terminates service with their employer is entitled to withdraw the total amount in the member contribution subaccount. In addition, the member is entitled to withdraw amounts in the employer contribution subaccount to the extent the member is vested in this account. The member must be separated from employment for at least 30 days before the member may take a withdrawal from the member's account. The amount available for withdrawal is the fair value of the participant's account on the processing date. The withdrawal amount can be paid in a lump sum, a direct rollover to another eligible retirement plan, or if the member has attained normal retirement age and met other criteria established by the INPRS Board of Trustees as a monthly annuity provided through INPRS. If a member becomes disabled while in active service, subject to the member providing proof of the member's qualification for social security disability benefits to the Board of Trustees, a member may withdraw the total amount in the member contribution subaccount. To the extent that the member is vested, the member may make a withdrawal from the member's employer subaccount. The withdrawal amount can be paid in a lump sum, a direct rollover to another eligible retirement plan, or a monthly annuity provided through INPRS if the member has attained normal retirement age and met other criteria established by the INPRS Board of Trustees. If a member dies while in active service or after terminating service in a position covered by the PERF ASA Only Plan, but before withdrawing the member's account, all of the member's contribution subaccount, and to the extent that the member is vested, the employer contribution subaccount, will be paid to the beneficiary or beneficiaries designated by the member. The amount available for payment is the fair value of the participant's account. The beneficiary may elect to have member's account paid as a lump sum, a direct rollover to another eligible retirement plan, or as a monthly annuity in accordance with the rules of the INPRS Board of Trustees. The monthly annuity is an option only on or after the beneficiary attains normal retirement age and meets other criteria established by the INPRS Board of Trustees. If a member dies in the line of duty while in active service, the designated beneficiary or beneficiaries or surviving spouse or dependents, are entitled to payment of the member's account as described above. In addition, if the member was not fully vested in the employer contribution subaccount, the account is deemed to be fully vested for purposes of withdrawal.

Net Pension Liability

At June 30, 2017 and 2016, the Housing Authority reported a liability of \$118,453 and \$159,658, respectively, for its proportionate share of the net pension liability.

Actuarial Assumptions

The actuarial assumptions and methods used in the June 30, 2016 valuation of the Public Employees' Retirement Fund were adopted by the INPRS Board in April 2016. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2010 through June 30, 2014, and were first used in the June 30, 2016 valuation. The INPRS Board adopted a funding policy in April 2014, and updated the policy in October 2016 to address over funded plans. Changes in Actuarial Assumptions The inflation assumption changed from 3.00% to 2.25% per year. The future salary increase assumption changed from an age-based table ranging from 3.25% to 4.50% to an age-based table ranging from 2.50% to 4.25%. The mortality assumption changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables

KNOX COUNTY HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE G - Pension Plan: (Continued)

projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report. The retirement assumption was updated based on recent experience. Additionally, for actives who are eligible for early retirement (reduced benefit), 33% are assumed to commence benefits immediately and 67% are assumed to commence benefits at unreduced retirement eligibility. 100% of actives were assumed to commence benefits immediately upon early retirement eligibility in the prior year. The termination assumption was updated based on recent experience. For members earning less than \$20,000, the tables were updated from a select and ultimate table to just an ultimate table as there is little correlation with service. For members earning more than \$20,000, the tables were updated from using a 5-year select period to a 10-year select period to correspond with the vesting schedule. The disability assumption was updated based on recent experience. The ASA Annuitization assumption was updated from 50% of members assumed to annuitize their ASA balance to 60% of members assumed to annuitize their ASA balance prior to January 1, 2017. Changes in Actuarial Methods There were no method changes for the June 30, 2016 valuation.

Actuarial Assumptions Except as noted below, actuarial assumptions used for funding purposes are the same as those used for accounting and financial reporting. Economic Assumptions Interest Rate / Investment Return: Funding 6.75 percent (net of administrative and investment expenses) Accounting & Financial Reporting 6.75 percent (net of investment expenses) Cost of Living Increases: 1.00 percent per year in retirement.

Schedules of Changes In Net Pension Liability and Net Pension Liability Plan Amendments In 2016, there were no changes to the Plan that impacted the pension benefits during the fiscal year. In 2014, HB 1075 impacted the Public Employees' Retirement Fund, the Teachers' Retirement Fund Pre-1996 Account, and the Teachers' Retirement Fund 1996 Account by reducing the Annuity Savings Account (ASA) interest crediting rate on annuities from 7.5% to 5.75% effective October 1, 2014. Effective October 1, 2016 the rate is 4.5%. On January 1, 2017, the ASA annuities are allowed to be outsourced to a third party provider. Assumption Changes An experience study was performed in April of 2016 resulting in an update to several assumptions. These assumption changes included a change in the mortality assumptions, retirement assumptions, withdrawal assumptions, disability assumptions, ASA annuitization assumptions (PERF & TRF only), dependent assumptions, future salary increase assumptions, inflation assumptions and COLA assumptions. For further details refer to the Actuarial Section of the CAFR. Schedule of Contributions Methods and Assumptions Used in Calculating Actuarially Determined Contributions The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution Rates. Description PERF TRF Pre-1996 Account TRF 1996 Account 1977 Fund JRS EG&C Plan PARF LEDB Plan Valuation Date June 30, 2013 Actuarial Cost Method (Funding) Entry Age Normal (Level Percent of Payroll) Traditional Unit Credit Actuarial Amortization Method for Unfunded Liability Level Dollar Actuarial Amortization Period for Unfunded Liability 30 Years, Closed Remaining Amortization Period in Years (Weighted) 1 27 26 26 27 25 25 27 18 Asset Valuation Method 4-year smoothing of gains and losses on the Market Value of assets subject to a 20% corridor Investment Rate of Return (Funding) 6.75%, net of administrative and investment expense, including inflation Cost of Living Increases 1.0% 1.0% 2.25% 4.0% 1.00% N/A 3.00% Future Salary Increases, including Inflation 3.25% - 4.5% 3.0% - 12.5% 3.25% 4.0% 3.25% 4.0% 3.0% Inflation 3.0% Trends Contributions in fiscal year 2013 are higher than in fiscal year 2014 & 2016 for certain pension trust funds due to 2012 HB 1376, which appropriated additional monies for the following pension trust funds: Teachers' Retirement Fund Pre- 1996 Account - \$206,796 thousand, Judges' Retirement Fund - \$90,187 thousand, State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan - \$14,619 thousand, and the Prosecuting Attorneys' Retirement Fund - \$17,363 thousand.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE G - Pension Plan: (Continued)

Sensitivity of the Authority's proportionate share of the net pension 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 6.75%, as well as what the Authority's proportionate share of the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	Discount rate (6.75%)	1% Increase (7.75%)
\$170,127	\$118,453	\$75,505

Pension Expense

For the year ended June 30, 2016, the Housing Authority recognized pension expense of \$9,657, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	\$2,654	\$219
Net differences between projected and actual investment earnings on pension plan investments	\$26,053	\$6,665
Change of Assumptions	\$5,226	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$3,101	\$31,645
Contributions made after plan year end	\$27,112	\$0
Total	\$64,146	\$38,529

KNOX COUNTY HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE G - Pension Plan: (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction of the NPL in 2017:

Amortization of net deferred outflows/(inflows) of resources - debit/(credit)	
2017	\$(2,887)
2018	\$(7,259)
2019	\$5,501
2020	\$3,150
2021	\$0
Thereafter	\$0

The information presented above has not been audited.

NOTE H - Accounts Payable:

Accounts payable at June 30, 2017, consist of the following:

Vendors' accounts payable \$ 13,141

NOTE I - Accrued Liabilities:

Accrued liabilities at June 30, 2017, consist of the following:

Accrued payroll \$ 10,094
Accrued compensated absences 2,390

Total \$ 12,484

NOTE J - Unearned Revenue:

Unearned Revenue at June 30, 2017, consists of the following:

Tenant prepaid rents \$ 2,144

NOTE K - Federal Operating Grants:

HUD contributed operating subsidies approved in the operating budgets under the Annual Contributions Contracts. These subsidy contribution for the operating year ended June 30, 2017 were as follows:

Low Rent Public Housing \$ 123,275
Housing Choice Voucher 1,363,296
Capital Fund Program 14,442

Total \$ 1,501,013

NOTE L - Capital Contributions:

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended June 30, 2017 were:

Capital Fund \$ 47,507

KNOX COUNTY HOUSING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE M - Commitments and Contingencies:

Litigation - At June 30, 2017, the Authority was not involved in any threatened litigation.

Examinations - The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There were no examinations during the year ended June 30, 2017.

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

Construction Projects: There are certain major construction projects in progress at June 30, 2017. These include modernizing rental units at the project sites. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred. These costs will be paid by grants committed to the Authority by HUD.

NOTE N - Risk Management:

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance coverage for these risks to the extent deemed prudent by Authority management. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE O - Economic Dependency:

The Authority receives approximately 84% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE P - Conduit Type Debt:

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

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

NOTE Q - Correction of an Error:

In the previous audit report (June 30, 2016) a liability was listed as an asset. The adjustment of \$15,232 corrects this misstatement.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(Continued)

NOTE R - Subsequent Events:

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Authority through February 13, 2018 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Schedule of the Authority's Proportionate Share of the Net Pension Liability

INPRS Pension Plan
Last Ten Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Knox County Housing Authority's proportion of the net pension liability	.0000371	.0000392	.0000261
Knox County Housing Authority's proportionate share of the net pension liability	\$ 96,707	\$ 159,658	\$ 118,453
Knox County Housing Authority's covered employee payroll	\$ 179,640	\$ 187,787	\$ 125,107
Knox County Housing Authority's proportionate share of the net pension liability as a percentage of it's covered employee payroll	53.84%	85.02%	94.68%

Note: Additional years information will be presented when available.

* The amounts for each fiscal year were determined as of 6/30/16

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

SCHEDULE OF THE KNOX COUNTY HOUSING AUTHORITY'S CONTRIBUTIONS

INPRS Pension Plan
Last Ten Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 17,506	\$ 20,344	\$ 14,012
Contributions in relation to the contractually required contribution	<u>17,506</u>	<u>20,344</u>	<u>14,012</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Knox County Housing Authority's covered employee payroll	\$ 179,640	\$ 187,787	\$ 125,107
Contributions as a percentage of covered employee payroll	9.75%	10.83%	11.20%

Note: Additional years information will be presented when available.

* The amounts for each fiscal year were determined as of 6/30/16

SUPPLEMENTAL FINANCIAL INFORMATION

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

COMBINING SCHEDULE OF PROGRAM NET POSITION

JUNE 30, 2017

	Annual Contributions Contracts		
	C-2045	C-2045	IN067
	Low	Capital	Section 8
	Income	Fund	Vouchers
	Public	Programs	Section 8
	Housing	Programs	Vouchers
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 46,255	\$ 0	\$ 3,334
Restricted cash and cash equivalents	30,077	0	5,041
Accounts receivable, net	6,036	0	0
Prepaid expenses	25,839	0	0
Interfund	15,232	0	6,601
Inventory, net	26,485	0	0
Total Current Assets	149,924	0	14,976
<u>Capital Assets</u>			
Land and other nondepreciable assets	1,002,773	0	0
Depreciable capital assets, net	940,167	0	0
Total Capital Assets	1,942,940	0	0
<u>Deferred outflow of resources</u>			
Pension related	46,185	0	17,961
Total Assets and Deferred Outflow of Resources	2,139,049	0	32,937
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	13,141	0	0
Accrued liabilities	40,417	0	0
Payable from restricted cash and cash equivalents:			
Tenants security deposits	2,144	0	0
Interfund	6,601	0	0
Total Current Liabilities	62,303	0	0
<u>Noncurrent liabilities</u>			
Net Pension Liability	78,900	0	39,553
Noncurrent Liabilities	78,900	0	39,553
Total liabilities	141,203	0	39,553
<u>Deferred inflow of resources</u>			
Pension related	27,741	0	10,788
<u>NET POSITION</u>			
Investment in capital assets	1,942,940	0	0
Restricted	12,000	0	5,041
Unrestricted	15,165	0	(22,445)
Total Net Position	\$ 1,970,105	\$ 0	\$ (17,404)

<u>Business</u> <u>Activities</u>	<u>State</u> <u>Local</u>	<u>Interfund</u> <u>Elimination</u>	<u>Total</u>
\$ 12,410	\$ 6,943	\$ 0	\$ 68,942
0	300	0	35,418
0	0	0	6,036
0	0	0	25,839
0	0	(21,833)	0
0	0	0	26,485
<u>12,410</u>	<u>7,243</u>	<u>(21,833)</u>	<u>162,720</u>
0	4,400		1,007,173
0	67,004		1,007,171
<u>0</u>	<u>71,404</u>	<u>0</u>	<u>2,014,344</u>
0	0	0	64,146
<u>12,410</u>	<u>78,647</u>	<u>(21,833)</u>	<u>2,241,210</u>
0	0	0	13,141
0	0	0	12,484
0	300	0	28,233
0	15,232	(21,833)	0
0	0	0	2,144
<u>0</u>	<u>15,532</u>	<u>(21,833)</u>	<u>56,002</u>
0	0	0	118,453
<u>0</u>	<u>0</u>	<u>0</u>	<u>118,453</u>
0	15,532	(21,833)	174,455
0	0	0	38,529
0	71,404	0	2,014,344
0	0	0	17,041
12,410	(8,289)	0	(3,159)
<u>\$ 12,410</u>	<u>\$ 63,115</u>	<u>\$ 0</u>	<u>\$ 2,028,226</u>

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

COMBINING SCHEDULE OF REVENUES, EXPENSES AND PROGRAM CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Annual Contributions Contracts		
	C-2045	C-2045	IN067
	Low Income Public Housing	Capital Fund Programs	Section 8 Vouchers
<u>OPERATING REVENUES</u>			
Rental income	\$ 257,652	\$ 0	\$ 0
Other income	8,748	0	3,235
TOTAL OPERATING REVENUE	266,400	0	3,235
<u>OPERATING EXPENSES</u>			
Administrative	146,633	0	100,466
Tenant services	0	0	0
Utilities	138,827	0	454
Ordinary maintenance and operation	105,994	0	475
General expense	53,017	0	12,668
Housing Assistance Payments	0	0	1,266,910
Depreciation expense	115,399	0	1,600
TOTAL OPERATING EXPENSES	559,870	0	1,382,573
OPERATING INCOME (LOSS)	(293,470)	0	(1,379,338)
<u>NONOPERATING REVENUES</u>			
Federal operating grants	123,275	14,442	1,363,296
Interest income	825	0	6
NET NONOPERATING REVENUES	124,100	14,442	1,363,302
CAPITAL CONTRIBUTIONS	0	47,507	0
CHANGE IN NET POSITION	(169,370)	61,949	(16,036)
TOTAL NET POSITION - BEGINNING OF YEAR, as originally stated	2,077,526	0	(1,368)
Prior period adjustment / equity transfer	61,949	(61,949)	0
TOTAL NET POSITION - BEGINNING OF YEAR, as restated	2,139,475	(61,949)	(1,368)
TOTAL NET POSITION - END OF YEAR	\$ 1,970,105	\$ 0	\$ (17,404)

Business Activities	State Local	Total
\$ 0	\$ 10,260	\$ 267,912
6,913	0	18,896
<u>6,913</u>	<u>10,260</u>	<u>286,808</u>
0	9,554	256,653
0	716	716
0	2,156	141,437
0	0	106,469
133	0	65,818
0	0	1,266,910
0	1,815	118,814
<u>133</u>	<u>14,241</u>	<u>1,956,817</u>
<u>6,780</u>	<u>(3,981)</u>	<u>(1,670,009)</u>
0	0	1,501,013
6	3	840
<u>6</u>	<u>3</u>	<u>1,501,853</u>
0	0	47,507
<u>6,786</u>	<u>(3,978)</u>	<u>(120,649)</u>
5,624	82,325	2,164,107
0	(15,232)	(15,232)
<u>5,624</u>	<u>67,093</u>	<u>2,148,875</u>
<u>\$ 12,410</u>	<u>\$ 63,115</u>	<u>\$ 2,028,226</u>

Knox County Housing Authority (IN067)
BICKNELL, IN
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	Total
111 Cash - Unrestricted	\$34,255	\$3,334	\$6,943	\$12,410	\$56,942	\$56,942
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted		\$5,041			\$5,041	\$5,041
114 Cash - Tenant Security Deposits	\$27,933		\$300		\$28,233	\$28,233
115 Cash - Restricted for Payment of Current Liabilities	\$2,144				\$2,144	\$2,144
100 Total Cash	\$64,332	\$8,375	\$7,243	\$12,410	\$92,360	\$92,360
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous						
126 Accounts Receivable - Tenants	\$6,036				\$6,036	\$6,036
126.1 Allowance for Doubtful Accounts - Tenants	\$0				\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0				\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$6,036	\$0	\$0	\$0	\$6,036	\$6,036
131 Investments - Unrestricted						
132 Investments - Restricted	\$12,000				\$12,000	\$12,000
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$25,839				\$25,839	\$25,839
143 Inventories	\$26,485				\$26,485	\$26,485
143.1 Allowance for Obsolete Inventories	\$0				\$0	\$0
144 Inter Program Due From	\$15,232	\$5,601			\$21,833	\$21,833
145 Assets Held for Sale						
150 Total Current Assets	\$149,924	\$14,976	\$7,243	\$12,410	\$184,553	\$184,553
161 Land	\$1,007,173		\$4,400		\$1,011,573	\$1,011,573
162 Buildings	\$3,766,362		\$72,600		\$3,838,962	\$3,838,962
163 Furniture, Equipment & Machinery - Dwellings	\$146,858				\$146,858	\$146,858
164 Furniture, Equipment & Machinery - Administration	\$310,220	\$7,985		\$4,422	\$322,627	\$322,627
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$3,283,273	-\$7,985	-\$5,596	-\$4,422	-\$3,301,276	-\$3,301,276
167 Construction in Progress						
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,942,940	\$0	\$71,404	\$0	\$2,014,344	\$2,014,344
171 Notes, Loans and Mortgages Receivable - Non-Current						
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	\$1,942,940	\$0	\$71,404	\$0	\$2,014,344	\$2,014,344
200 Deferred Outflow of Resources	\$46,185	\$17,961			\$64,146	\$64,146
290 Total Assets and Deferred Outflow of Resources	\$2,139,049	\$32,937	\$78,647	\$12,410	\$2,263,043	\$2,263,043
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$2,774				\$2,774	\$2,774
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$10,094				\$10,094	\$10,094
322 Accrued Compensated Absences - Current Portion	\$2,390				\$2,390	\$2,390
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	\$27,933		\$300		\$28,233	\$28,233
342 Unearned Revenue	\$2,144				\$2,144	\$2,144
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						

344	Current Portion of Long-term Debt - Operating Borrowings						
345	Other Current Liabilities						
346	Accrued Liabilities - Other	\$10,367				\$10,367	\$10,367
347	Inter Program - Due To	\$6,601		\$15,232		\$21,833	\$21,833
348	Loan Liability - Current						
310	Total Current Liabilities	\$62,303	\$0	\$15,532	\$0	\$77,835	\$77,835
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	\$78,900	\$39,553			\$118,453	\$118,453
350	Total Non-Current Liabilities	\$78,900	\$39,553	\$0	\$0	\$118,453	\$118,453
300	Total Liabilities	\$141,203	\$39,553	\$15,532	\$0	\$196,288	\$196,288
400	Deferred Inflow of Resources	\$27,741	\$10,788			\$38,529	\$38,529
508.4	Net Investment in Capital Assets	\$1,942,940		\$71,404		\$2,014,344	\$2,014,344
511.4	Restricted Net Position	\$12,000	\$5,041			\$17,041	\$17,041
512.4	Unrestricted Net Position	\$15,165	-\$22,445	-\$8,289	\$12,410	-\$3,159	-\$3,159
513	Total Equity - Net Assets / Position	\$1,970,105	-\$17,404	\$63,115	\$12,410	\$2,028,226	\$2,028,226
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,139,049	\$32,937	\$78,647	\$12,410	\$2,263,043	\$2,263,043

Knox County Housing Authority (IN067)
BICKNELL, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	Total
70300 Net Tenant Rental Revenue	\$251,200		\$10,260		\$261,460	\$261,460
70400 Tenant Revenue - Other	\$8,452				\$8,452	\$8,452
70500 Total Tenant Revenue	\$257,652	\$0	\$10,260	\$0	\$267,912	\$267,912
70600 HUD PHA Operating Grants	\$137,717	\$1,363,295			\$1,501,013	\$1,501,013
70610 Capital Grants	\$47,507				\$47,507	\$47,507
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue						
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$825	\$6	\$3	\$6	\$840	\$840
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery		\$3,235			\$3,235	\$3,235
71500 Other Revenue	\$8,748			\$6,913	\$15,661	\$15,661
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted	\$0				\$0	\$0
70000 Total Revenue	\$452,449	\$1,366,537	\$10,263	\$6,919	\$1,836,168	\$1,836,168
91100 Administrative Salaries	\$72,480	\$61,006	\$3,500		\$136,986	\$136,986
91200 Auditing Fees	\$4,014	\$4,660			\$8,674	\$8,674
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing						
91500 Employee Benefit contributions - Administrative	\$25,170	\$12,013	\$4,852		\$42,035	\$42,035
91600 Office Expenses	\$14,076	\$8,089			\$22,165	\$22,165
91700 Legal Expense						
91800 Travel	\$3,334	\$232			\$3,566	\$3,566
91810 Allocated Overhead						
91900 Other	\$25,169	\$14,466	\$1,202		\$40,837	\$40,837
91000 Total Operating - Administrative	\$144,243	\$100,466	\$9,554	\$0	\$254,263	\$254,263
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other			\$716		\$716	\$716
92500 Total Tenant Services	\$0	\$0	\$716	\$0	\$716	\$716
93100 Water	\$37,936	\$454	\$777		\$39,167	\$39,167
93200 Electricity	\$65,319		\$1,379		\$66,698	\$66,698
93300 Gas	\$32,821				\$32,821	\$32,821
93400 Fuel						
93500 Labor						
93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense	\$2,751				\$2,751	\$2,751
93000 Total Utilities	\$138,827	\$454	\$2,156	\$0	\$141,437	\$141,437
94100 Ordinary Maintenance and Operations - Labor	\$70,579				\$70,579	\$70,579
94200 Ordinary Maintenance and Operations - Materials and Other	\$15,901				\$15,901	\$15,901
94300 Ordinary Maintenance and Operations Contracts	\$16,615	\$475			\$17,090	\$17,090
94500 Employee Benefit Contributions - Ordinary Maintenance	\$824				\$824	\$824
94000 Total Maintenance	\$103,919	\$475	\$0	\$0	\$104,394	\$104,394
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

95110 Property Insurance	\$40,823				\$40,823	\$40,823
95120 Liability Insurance	\$6,511				\$6,511	\$6,511
95130 Workmen's Compensation	\$2,519	\$2,519			\$5,038	\$5,038
95140 All Other Insurance						
95100 Total Insurance Premiums	\$49,853	\$2,519	\$0	\$0	\$52,372	\$52,372
96200 Other General Expenses	\$3,164	\$10,149		\$133	\$13,446	\$13,446
96210 Compensated Absences	\$2,390				\$2,390	\$2,390
96300 Payments in Lieu of Taxes						
95400 Bad debt - Tenant Rents						
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$5,554	\$10,149	\$0	\$133	\$15,836	\$15,836
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
96900 Total Operating Expenses	\$442,396	\$114,063	\$12,426	\$133	\$569,018	\$569,018
97000 Excess of Operating Revenue over Operating Expenses	\$10,053	\$1,252,474	-\$2,163	\$6,786	\$1,267,150	\$1,267,150
97100 Extraordinary Maintenance	\$2,075				\$2,075	\$2,075
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments		\$1,266,910			\$1,266,910	\$1,266,910
97350 HAP Portability-In						
97400 Depreciation Expense	\$115,399	\$1,600	\$1,815		\$118,814	\$118,814
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$559,870	\$1,382,573	\$14,241	\$133	\$1,956,817	\$1,956,817
10010 Operating Transfer In						
10020 Operating transfer Out						
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	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$107,421	-\$16,036	-\$3,978	\$6,786	-\$120,649	-\$120,649
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$2,077,526	-\$1,368	\$82,325	\$5,624	\$2,164,107	\$2,164,107
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			-\$15,232		-\$15,232	-\$15,232
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		-\$22,445			-\$22,445	-\$22,445
11180 Housing Assistance Payments Equity		\$5,041			\$5,041	\$5,041
11190 Unit Months Available	888	4008			4896	4896
11210 Number of Unit Months Leased	855	3141			3996	3996
11270 Excess Cash	-\$12,365				-\$12,365	-\$12,365
11610 Land Purchases	\$0				\$0	\$0
11620 Building Purchases	\$33,901				\$33,901	\$33,901
11630 Furniture & Equipment - Dwelling Purchases	\$1,108				\$1,108	\$1,108
11640 Furniture & Equipment - Administrative Purchases	\$16,118				\$16,118	\$16,118
11650 Leasehold Improvements Purchases	\$0				\$0	\$0
11660 Infrastructure Purchases	\$0				\$0	\$0
13510 CFFP Debt Service Payments	\$0				\$0	\$0
13901 Replacement Housing Factor Funds	\$0				\$0	\$0

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A - Financial Data Schedule:

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense and extraordinary maintenance expense from operating activities, includes investment revenue and HUD capital grants in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the financial statements.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>AWARD</u>	<u>EXPENDITURES</u>
	<u>U. S. DEPARTMENT OF HUD</u>			
C-2016	Public & Indian Housing	14.850	\$ 137,717	\$ 137,717
	Housing Choice Cluster			
C-2064	Housing Choice Vouchers	14.871	1,363,296	1,363,296
C-2016	Capital Fund Grant Program	14.872	<u>61,949</u>	<u>47,507</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$1,562,962</u>	<u>\$1,548,200</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Knox County Housing Authority under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Knox County Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flow of Knox County Housing Authority.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting as described in Note A. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Knox County Housing Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

OTHER REPORTS

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120

Report On Internal Control Over Financial Reporting and on Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Commissioners
Knox County Housing Authority
11 Powell St
Bicknell, IN 47512

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, as of and for the year ended June 30, 2017, 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 March 13, 2018.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be significant deficiencies. However, I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be material weaknesses as item 2017-001.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001.

I noted certain matters that I reported to the management of the Knox County Housing Authority in a separate letter dated March 13, 2018.

Purpose Of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountant

Fredericksburg, Indiana
March 13, 2018

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, Indiana 47120

Report on Compliance For Each Major Federal Program; Report on Internal Control Over
Compliance Required by Uniform Guidance

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Knox County Housing Authority
11 Powell St
Bicknell, IN 47512

Report on Compliance for Each Major Federal Program

I have audited the Knox County Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Knox County Housing Authority's major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance with each of the 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Knox County Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, the Knox County Housing Authority, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned cost as item 2017-001. My opinion on each major federal program is not modified with respect to these matters.

The Knox County Housing Authority's response to the noncompliance findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Cost and/or Corrective Action Plan. 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 response.

Report on Internal Control Over Compliance

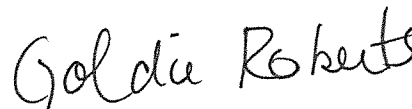
Management of the Knox County Housing Authority is responsible for establishing and maintaining effective internal control over the type of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Knox County Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be significant deficiencies. However, I identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned cost as item 2017-001 that I consider to be material weaknesses.

The Knox County Housing Authority's response to the internal control over compliance finding identified in my audit are described in the accompanying Schedule of Findings and Questioned Cost and/or Corrective Action Plan. 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 response.

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



Certified Public Accountant

Fredericksburg, Indiana
March 13, 2018

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

JUNE 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

Unmodified

Internal control over financial reporting:

~ Material weakness(es) identified?

X yes no

~ Significant deficiency(s) identified?

yes X none reported

Noncompliance material to financial statements noted?

yes X no

FEDERAL AWARDS

Internal control over major federal programs:

~ Material weakness(es) identified?

X yes no

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

yes X none reported

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

Unmodified

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

X yes no

Identification of major federal programs:

CFDA Number

Name of Federal Program

14.871

Housing Choice Vouchers

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

\$ 750,000

Auditee qualified as low-risk auditee?

X yes no

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

JUNE 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

PRIOR AUDIT FINDINGS

2016-001

Allowable Costs

PRIOR

CONDITION:

During a review of cash disbursements, expenditures examined were not allowable costs because the purpose/reason for the expenditure was not documented.

CURRENT

CONDITION:

This finding continues as 2017-001

This Finding is Continued as 2017-001

2016-002

Allowable Costs

PRIOR

CONDITION:

A former board member was hired as the office manager and served in that capacity from July, 2015 until January 15, 2016. As an employee, the former board member received wages and benefits as a full time employee. In January 2016, HUD officials became aware of the situation and provided notice to the Housing Authority that the employee relationship was to end immediately and all wages and related benefits had to be repaid to the Housing Program. The Housing Authority was to provide a repayment plan to HUD.

CURRENT

CONDITION:

This finding is cleared.

This Finding is Cleared

2016-003

Cash Management

PRIOR

CONDITION:

At the end of the current fiscal year, the Know County Housing Authority did not have enough cash or investments in the Housing Choice Voucher checking account or invested to "fund" the HAP restricted position.

CURRENT

CONDITION:

This finding is cleared.

This Finding is Cleared

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

JUNE 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

CURRENT YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

2017-001

Allowable Costs

PRIOR

CONDITION: During a review of cash disbursements, expenditures examined were not allowable costs because the purpose/reason for the expenditure was not documented.

CURRENT

CONDITION: In a sample of 40 cash disbursements, 3 lacked supporting documentation.

CFDA#: 14.850 & 14.871

CRITERIA: The Department of Housing and Urban Development requires that all transactions related to federal expenditures be supported and documented. The Housing Authority's own internal control procedures require that invoices be supported by purchase orders and payments are to be made from original invoices.

CAUSE/EFFECT: The Housing Authority did not follow the internal controls developed and adopted in accordance with sound accounting practices and the guidelines issued by the Indiana State Board of Accounts to insure that only allowable expenditures were processed and charged to federal programs. The allowability of expenditures made by the Housing Authority cannot be determined.

RECOMMENDATION: The Housing Authority should process payments to vendors only when all supporting documents (complete, accurate and original invoices) are available. Management and Board of Commissioners, who are the approved signatories over the disbursements should not sign or approve payments without this documentation. As required by policy all maintenance purchases must be initiated by an approved purchase order.

REPLY: The Authority has put procedures in place to ensure that all checks written in the future are adequately supported.

DISCUSSED WITH: Board Members and Kelly Roth, Executive Director 3/13/2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Financial Statement Finding 2017-001

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

JUNE 30, 2017

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

<u>FINDING</u>	<u>CONDITION</u>	<u>STATUS</u>
2016-001	Allowable Costs	Continued
2016-002	Allowable Costs	Cleared
2016-003	Cash Management	Cleared