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April 21, 2020

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, 2018 to June 30, 2019. 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, 2019, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

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

Paul D. Joyce, CPA
State Examiner

KNOX COUNTY HOUSING AUTHORITY

AUDITED FINANCIAL STATEMENTS

Bicknell, Indiana

June 30, 2019

Goldie Roberts

Certified Public Accountant

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

KNOX COUNTY
HOUSING AUTHORITY

Bicknell, Indiana
June 30, 2019

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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, 2019, and the related Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the year then ended, and the related Notes to the Financial Statements, which collectively comprise the 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, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through vi and Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of the Authority's Contributions on pages 20 through 21 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 January 9, 2020 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
January 9, 2020

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

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, 2019. 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, 2019
(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, 2019 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, 2019
 (Continued)

Condensed Comparative Financial Statements

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

Total Current Assets for FYE 2019 were \$335,281, and at FYE 2018, the amount was \$186,329. This represents an increase of \$148,952.

Total Capital Assets decreased by \$82,291. At FYE 2019 and 2018, the amounts were \$1,835,457 and \$1,917,748 respectively.

Total Liabilities decreased by \$32,502.

Revenues increased by \$26,715 from FYE June 30, 2018. At FYE 2019 and 2018, total revenues were \$1,891,956 and \$1,873,489, respectively.

Total Expenses decreased by \$95,363 which is mostly due to a decrease in housing assistance payments. The Authority also had a decrease in administrative, utilities and depreciation expense, which were offset by an increase in ordinary maintenance. At FYE 2019 and 2018, total expenses were \$1,844,981 and \$1,940,344, respectively.

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	\$ 298,622	\$ 140,112	\$ 158,510	113%
Other Current Assets	36,659	46,217	(9,558)	-21%
Capital Assets	1,835,457	1,917,748	(82,291)	-4%
Deferred Outflows of resources	41,999	89,692	(47,693)	-53%
Total Assets	<u>2,212,737</u>	<u>2,193,769</u>	<u>18,968</u>	1%
Current Liabilities	51,341	35,198	16,143	46%
Long Term Liabilities	123,124	171,769	(48,645)	-28%
Total Liabilities	<u>174,465</u>	<u>206,967</u>	<u>(32,502)</u>	-16%
Deferred inflows of resources	29,926	25,431	4,495	18%
Net Invested in Capital Assets	1,835,457	1,917,748	(82,291)	-4%
Restricted Net Position	50,786	57,074	(6,288)	-11%
Unrestricted Net Position	122,103	(13,451)	135,554	1008%
Total Net Position	<u>\$ 2,008,346</u>	<u>\$ 1,961,371</u>	<u>\$ 46,975</u>	2%

KNOX COUNTY HOUSING AUTHORITY
 Bicknell, Indiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2019
 (Continued)

Analysis of Entity Wide Revenues

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2019 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$391,092
Section 8 Vouchers	\$1,207,888
Capital Funds Program	\$280,729
Business Activities	\$12,247

Total revenues for Fiscal year ending June 30, 2019 were \$1,891,956 as compared to the total revenues for fiscal year ending June 30, 2018 of \$1,873,489. Comparatively, fiscal year ending 2019 revenues were more than fiscal year ending 2018 revenues by \$26,715.

	<u>2019</u>	<u>2018</u>	<u>Net change</u>	<u>Percent Variances</u>
Total tenant revenue	\$ 261,946	\$ 257,810	\$ 4,136	2%
HUD Operating grants	1,627,540	1,604,507	23,033	1%
Investment income	495	927	(432)	-47%
Other revenue	10,223	10,245	(22)	0%
Gain (Loss) on Disposal	(8,248)	-	(8,248)	-100%
Total Revenue	<u><u>\$ 1,891,956</u></u>	<u><u>\$ 1,873,489</u></u>	<u><u>\$ 26,715</u></u>	1%

KNOX COUNTY HOUSING AUTHORITY
 Bicknell, Indiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2019
 (Continued)

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending June 30, 2019 were \$1,844,981 as compared to \$1,940,344 of total expenditures for Fiscal Year Ending June 30, 2018. Comparatively, Fiscal Year Ending 2019 expenditures were less than Fiscal Year Ending 2018 expenditures by \$95,363. Changes by major expense category are presented below.

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>	<u>Percent</u> <u>Variiances</u>
Administrative	\$ 245,795	\$ 268,916	\$ (23,121)	-9%
Tenant Services	170	174	(4)	-2%
Utilities	154,096	164,443	(10,347)	-6%
Ordinary Maintenance	168,420	115,128	53,292	46%
General Expense	76,907	71,661	5,246	7%
Housing Assistance Payments	1,111,237	1,216,470	(105,233)	-9%
Depreciation Expense	<u>88,356</u>	<u>103,552</u>	<u>(15,196)</u>	-15%
Total Expenses	<u>\$ 1,844,981</u>	<u>\$ 1,940,344</u>	<u>\$ (95,363)</u>	-5%

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, 2019
(Continued)

Analysis of Capital Asset Activity

As of June 30, 2019, the Authority's investment in capital assets was \$1,835,457 (net of accumulated depreciation). The investment includes land, buildings, equipment, and leasehold improvements. Capital outlays for the year were \$14,387 consisting of the following purchases:

- Security system upgrades \$2,626
- Flooring replacement \$5,011
- Septic system upgrades \$6,750

See Note F in the notes to financial statements for additional information.

Debt Activity

The Housing Authority did not have any outstanding debt during 2019 or 2018.

FINANCIAL STATEMENTS

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

STATEMENT OF NET POSITION

JUNE 30, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$	251,159
Restricted cash and cash equivalents		59,463
Accounts receivable, net		5,132
Prepaid expenses		15,234
Inventory, net		4,293
Current Assets		335,281

Capital Assets

Land and other nondepreciable assets		1,007,173
Depreciable capital assets, net		828,284
Total Capital Assets		1,835,457

Total Assets		2,170,738
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Deferred outflow of resources

Pension related		41,999
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Total Assets and Deferred Outflow of Resources		2,212,737
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LIABILITIES

Current liabilities

Accounts payable		5,100
Accrued liabilities		16,283
Payable from restricted cash and cash equivalents:		
Tenants security deposits		20,677
Unearned revenue		9,281
Total Current Liabilities		51,341

Noncurrent liabilities

Compensated Absences		1,849
Net Pension Liability		121,275
Noncurrent Liabilities		123,124

Total Liabilities		174,465
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Deferred inflow of resources

Pension related		29,926
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NET POSITION

Investment in capital assets		1,835,457
Restricted		50,786
Unrestricted		122,103
Total Net Position		\$ 2,008,346

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, 2019

OPERATING REVENUES

Rental income	\$	261,946
Other income		10,223

TOTAL OPERATING REVENUE		272,169
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OPERATING EXPENSES

Administrative		251,017
Tenant services		170
Utilities		154,096
Ordinary maintenance and operation		168,420
General expense		71,685
Housing Assistance Payments		1,111,237
Depreciation expense		88,356

TOTAL OPERATING EXPENSES		1,844,981
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OPERATING INCOME (LOSS)		(1,572,812)
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NONOPERATING REVENUES

Federal operating grants		1,627,540
Gain on sale of capital assets		(8,248)
Interest income		495

NET NONOPERATING REVENUES		1,619,787
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CAPITAL CONTRIBUTIONS		0
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CHANGE IN NET POSITION		46,975
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TOTAL NET POSITION - BEGINNING OF YEAR		1,961,371
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TOTAL NET POSITION - END OF YEAR		\$ 2,008,346
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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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	277,835
Payments to vendors		(331,737)
Payments to landlords		(1,111,237)
Payments to employees		(278,073)
Net Cash Used by Operating Activities		<u><u>(1,443,212)</u></u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants received		1,627,540
Net Cash From Noncapital Financing Activities		<u><u>1,627,540</u></u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received		0
Acquisition and construction of capital assets		(14,313)
Net Cash Flows Provided (Used)		<u>(14,313)</u>
by Capital and Related Financing Activities		<u><u>(14,313)</u></u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		495
Net Cash From Investing Activities		<u><u>495</u></u>

Net Increase in Cash and Cash Equivalents 170,510

Cash - Beginning of year 140,112

Cash - End of year \$ 310,622

Reconciliation of Deposits:

Cash and cash equivalents \$ 251,159

Restricted cash and cash equivalents 59,463

Total Deposits \$ 310,622

Continued

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

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

Operating income (loss)	\$	(1,572,812)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation		88,356
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		5,666
Prepaid expenses		3,278
Inventory		12,614
Increase (Decrease) in:		
Accounts payable		13,190
Accrued liabilities		(4,479)
Unearned Revenue		9,281
Pension related		1,694
		<hr/>
Net Cash Used by Operating Activities	\$	<u><u>(1,443,212)</u></u>

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

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, the Housing Authority has 408 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:

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

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

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.

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 - Prepays represent payments made to vendors for services that will benefit beyond June 30, 2019.

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

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

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

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.

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.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

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

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.

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, 2019, 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.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

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

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, 2019, the carrying amount of the Authority's deposits was \$314,527. 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	\$310,622	\$314,527

NOTE C - Accounts Receivable:

Accounts receivable at June 30, 2019, consist of the following:

Tenants	<u>\$ 5,132</u>
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NOTE D - Prepaid Expenses and Other Assets:

Prepaid expenses and other assets at June 30, 2019, consist of the following:

Prepaid software costs	\$ 5,026
Other asset	<u>10,208</u>
Total	<u>\$ 15,234</u>

NOTE E - Inventory:

Inventory at June 30, 2019, consist of the following:

Materials and supplies (net of \$133 allowance)	<u>\$ 4,293</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.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

NOTE F - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance 6/30/18	Increases	Decreases	Transfers	Ending Balance 6/30/19
Capital assets, not being depreciated:					
Land	\$ 1,007,173	\$ 0	\$ 0	\$ 0	\$ 1,007,173
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, Not being depreciated	<u>1,007,173</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,007,173</u>
Capital Assets, being depreciated:					
Buildings & Improvements	3,838,962	14,313	0	(177,709)	3,675,566
Furniture, Equipment & Machinery	<u>476,442</u>	<u>0</u>	<u>(288,842)</u>	<u>173,287</u>	<u>360,887</u>
Total Capital Assets, being depreciated	<u>4,315,404</u>	<u>14,313</u>	<u>(288,842)</u>	<u>(4,422)</u>	<u>4,036,453</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	(3,089,482)	(81,574)	0	308,723	(2,862,333)
Furniture, Equipment and Machinery	<u>(315,347)</u>	<u>(6,782)</u>	<u>280,594</u>	<u>(304,301)</u>	<u>(345,836)</u>
Total Accumulated Depreciation:	<u>(3,404,829)</u>	<u>(88,356)</u>	<u>280,594</u>	<u>4,422</u>	<u>(3,208,169)</u>
Total Capital Assets, being depreciated, net	<u>910,575</u>	<u>(74,043)</u>	<u>(8,248)</u>	<u>0</u>	<u>828,284</u>
Capital Assets, Net	<u>\$ 1,917,748</u>	<u>\$ (74,043)</u>	<u>\$ (8,248)</u>	<u>\$ 0</u>	<u>\$ 1,835,457</u>

Depreciation expense of \$88,356 was incurred during the year.

NOTE G - Pension Plan:

Description of Pension Plan

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

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

NOTE G - Pension Plan: (Continued)

Members include 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 resolution of the governing body, which specifies the classifications of employees who will become members of the PERF Hybrid Plan.

Benefits Provided

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

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100% 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.

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

A member who is at least 55 years old and shoes age plus number of years of creditable service is at least 85 is entitled to 100% of the benefits described above.

The monthly pension benefits for members in pay status may be increased periodically as cost 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 provided for the year ended June 30, 2017; however, eligible members received a one-time check in September of 2016.

The PERF Hybrid Plan also provides disability and survivor benefits.

Contributions

Members are required by statute to make contributions to the plan as determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. During fiscal year 2016, all participating employers contributed an average rate of 11.2% of covered payroll. The Authority's required contribution to the plan for the fiscal year ended June 30, 2016 was \$14,012. A contribution of 3% of covered payroll was contributed by the employees into the annuity savings account portion.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

NOTE G - Pension Plan: (Continued)

Employer Allocations

Wages reported by employers relative to the collective wages of the plan serve as the basis to determine the employer's proportionate share. The basis of allocation measures the proportionate relationship of an employer to all employers, and is consistent with the manner in which contributions to the pension plan are determined.

At June 30, 2019, the Authority's proportionate share was 0.00357%.

Net Pension Liability

At June 30, 2019, the Authority reported a liability of \$121,275. The proportionate share of the liability as of June 30, 2018 was \$171,769.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, was determined using member census data as of June 30, 2017 and adjusted, as appropriate to reflect changes between June 30, 2018 and June 30, 2017. The valuation results from June 30, 2017 were rolled to June 30, 2018 to reflect benefits accruals during the year less benefits paid. Key methods and assumptions used in calculating the total pension liability are presented below:

Price inflation	2.25%
Cost of Living Increases	1.00%
Salary increases, including wage increases	2.5% to 4.25%, including inflation
Long-Term rate of return, net of investment expense, and including price inflation	6.75%

Mortality assumption (healthy) rates were based on the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Table, with future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.

Disabled mortality assumption rates were based on the RP-2014 (with MP-2014 improvement removed) Disability Mortality Table with future mortality improvement inherent in the social Security Administration's 2014 Trustee report.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were undated as needed for the June 30, 2015 actuarial valuation based on the results of the study.

The long-term expected rate of return of pension plan investments was determined using a building-block approach that considered the target asset allocation from the Board's investment policy and capital market forecasts from various investment professionals.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

NOTE G - Pension Plan: (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Actual Allocations	Target Range
Public equity	23.6%	22.0%
Private equity	12.7%	14.0%
Fixed Income-Ex Inflation-Linked	20.1%	20.0%
Fixed Income - Inflation-Linked	7.3%	7.0%
Real estate	6.5%	7.0%
Commodities	7.9%	8.0%
Absolute Return	9.6%	10.0%
Risk Parity	11.1%	12.0%
Cash Overlay	1.2%	N/A
Total	100%	100%

Discount Rate

The discount rate used to measure the total pension liability was 6.75% and is equal to long-term expected return on plan investments, net of administrative expenses. The INPRS Board of Trustees has established a funding policy of setting the employer contribution rate equal to the greater of: 1) the current contribution rate of 11.2%, or 2) the actuarially determined contribution rate computed by the actuary using the assumptions and methods selected by the Board for the annual actuarial valuations.

Sensitivity of the 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%)
\$190,906	\$121,275	\$63,210

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

NOTE G - Pension Plan: (Continued)

Pension Expense

For the year ended June 30, 2018, the Housing Authority recognized pension expense of \$16,643, 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	\$ 1,586	\$ 8
Net differences between projected and actual investment earnings on pension plan investments	3,592	0
Change of assumptions	289	19,472
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,570	10,446
Contributions made after plan year end (measurement date)	20,962	0
Total	\$41,999	\$29,926

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 the following years:

Amortization of net deferred outflows/(inflows) of resources - debit/(credit)	
2019	\$11,372
2020	(6,458)
2021	(11,656)
2022	(2,147)
2023	0
Thereafter	0
Total	\$(8,889)

The information presented above has not been audited.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

NOTE H - Accounts Payable:

Accounts payable at June 30, 2019, consist of the following:

Vendors' accounts payable	\$ <u>5,100</u>
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NOTE I - Accrued Liabilities:

Accrued liabilities at June 30, 2019, consist of the following:

Accrued payroll	\$ 1,715
Other accrued liabilities	11,096
Accrued compensated absences	<u>5,321</u>
 Total	 \$ <u>18,132</u>

NOTE J - Unearned Revenue:

Unearned Revenue at June 30, 2019, consists of the following:

Tenant prepaid rents	\$ 1,218
Unearned revenue, Voucher administrative fees	<u>8,063</u>
 Total	 \$ <u>9,281</u>

NOTE K - Schedule of Changes in Noncurrent Liabilities:

Noncurrent liabilities at June 30, 2019, consist of the following:

	<u>6/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/31/19</u>	<u>Due within one year</u>	<u>Total</u>
Accrued Compensated absences	\$ 0	\$ 1,849	\$ 0	\$ 1,849	\$ 5,321	\$ 7,170
Pension	<u>171,769</u>	<u>0</u>	<u>50,494</u>	<u>121,275</u>	<u>0</u>	<u>121,275</u>
Total	<u>\$ 171,769</u>	<u>\$ 1,849</u>	<u>\$ 50,494</u>	<u>\$ 123,124</u>	<u>\$ 5,321</u>	<u>\$ 128,445</u>

NOTE L - 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, 2019 were as follows:

Low Rent Public Housing	\$ 139,506
Housing Choice Voucher	1,207,305
Capital Fund Program	<u>280,729</u>
 Total	 \$ <u>1,627,540</u>

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

NOTE M - Commitments and Contingencies:

Litigation - At June 30, 2019, 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, 2019.

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

Construction Projects: There are certain major construction projects in progress at June 30, 2019. 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.

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

NOTE Q - 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 January 9, 2020 (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 SUPPLEMENTARY INFORMATION

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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>	<u>2017</u>	<u>2018</u>
Knox County Housing Authority's proportion of the net pension liability	.0000371	.0000392	.0000261	.0000385	.0000357
Knox County Housing Authority's proportionate share of the net pension liability	\$ 96,707	\$ 159,658	\$ 118,453	\$ 171,769	\$ 121,275
Knox County Housing Authority's covered employee payroll	\$ 179,640	\$ 187,787	\$ 125,107	\$ 190,924	\$ 182,335
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%	89.97%	66.51%

Note: Additional years information will be presented when available.

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

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 17,506	\$ 20,344	\$ 14,012	\$ 21,913	\$ 19,892
Contributions in relation to the contractually required contribution	<u>17,506</u>	<u>20,344</u>	<u>14,012</u>	<u>21,913</u>	<u>19,892</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Knox County Housing Authority's covered employee payroll	\$ 179,640	187,787	\$ 125,107	\$ 190,924	\$ 182,335
Contributions as a percentage of covere employee payroll	9.75%	10.83%	11.20%	11.48%	10.91%

Note: Additional years information will be presented when available.

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

SUPPLEMENTAL FINANCIAL INFORMATION

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

COMBINING SCHEDULE OF PROGRAM NET POSITION

JUNE 30, 2019

	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	\$ 227,541	\$ 0	\$ 11,006
Restricted cash and cash equivalents	20,377	0	38,786
Accounts receivable, net	5,132	0	0
Prepaid expenses	12,721	0	2,513
Interfund	8,232	0	0
Inventory, net	4,293	0	0
Total Current Assets	278,296	0	52,305
<u>Capital Assets</u>			
Land and other nondepreciable assets	1,002,773	0	0
Depreciable capital assets, net	764,910	0	0
Total Capital Assets	1,767,683	0	0
<u>Deferred outflow of resources</u>			
Pension related	27,934	0	14,065
Total Assets and Deferred Outflow of Resources	2,073,913	0	66,370
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	3,765	0	1,335
Accrued liabilities	15,790	0	493
Payable from restricted cash and cash equivalents:			
Tenants security deposits	20,377	0	0
Interfund	0	0	0
Unearned revenue	1,218	0	8,063
Total Current Liabilities	41,150	0	9,891
<u>Noncurrent liabilities</u>			
Compensated Absences	1,849	0	0
Net Pension Liability	80,660	0	40,615
Noncurrent Liabilities	82,509	0	40,615
Total liabilities	123,659	0	50,506
<u>Deferred inflow of resources</u>			
Pension related	19,904	0	10,022
<u>NET POSITION</u>			
Investment in capital assets	1,767,683	0	0
Restricted	12,000	0	38,786
Unrestricted	150,667	0	(32,944)
Total Net Position	\$ 1,930,350	\$ 0	\$ 5,842

<u>Business Activities</u>	<u>State Local</u>	<u>Interfund Elimination</u>	<u>Total</u>
\$ 11,082	\$ 1,530	\$ 0	\$ 251,159
0	300	0	59,463
0	0	0	5,132
0	0	0	15,234
0	0	(8,232)	0
0	0	0	4,293
<u>11,082</u>	<u>1,830</u>	<u>(8,232)</u>	<u>335,281</u>
0	4,400		1,007,173
0	63,374		828,284
<u>0</u>	<u>67,774</u>	<u>0</u>	<u>1,835,457</u>
0	0	0	41,999
<u>11,082</u>	<u>69,604</u>	<u>(8,232)</u>	<u>2,212,737</u>
0	0	0	5,100
0	0	0	16,283
0	300	0	20,677
0	8,232	(8,232)	0
0	0	0	9,281
<u>0</u>	<u>8,532</u>	<u>(8,232)</u>	<u>51,341</u>
0	0	0	1,849
0	0	0	121,275
<u>0</u>	<u>0</u>	<u>0</u>	<u>123,124</u>
<u>0</u>	<u>8,532</u>	<u>(8,232)</u>	<u>174,465</u>
0	0	0	29,926
0	67,774	0	1,835,457
0	0	0	50,786
11,082	(6,702)	0	122,103
<u>\$ 11,082</u>	<u>\$ 61,072</u>	<u>\$ 0</u>	<u>\$ 2,008,346</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, 2019

	Annual Contributions Contracts		
	C-2045	C-2045	IN067
	Low Income Public Housing	Capital Fund Programs	Section 8 Vouchers
<u>OPERATING REVENUES</u>			
Rental income	\$ 253,351	\$ 0	\$ 0
Other income	6,016	0	583
TOTAL OPERATING REVENUE	259,367	0	583
<u>OPERATING EXPENSES</u>			
Administrative	157,697	0	90,896
Tenant services	89	0	0
Utilities	150,686	0	0
Ordinary maintenance and operation	166,970	0	0
General expense	64,182	0	7,503
Housing Assistance Payments	0	0	1,111,237
Depreciation expense	86,541	0	0
TOTAL OPERATING EXPENSES	626,165	0	1,209,636
OPERATING INCOME (LOSS)	(366,798)	0	(1,209,053)
<u>NONOPERATING REVENUES</u>			
Federal operating grants	139,506	280,729	1,207,305
Gain on sale of capital assets	(8,248)	0	0
Interest income	467	0	0
NET NONOPERATING REVENUES	131,725	280,729	1,207,305
CAPITAL CONTRIBUTIONS	0	0	0
CHANGE IN NET POSITION	(235,073)	280,729	(1,748)
TOTAL NET POSITION - BEGINNING OF YEAR, as originally stated	1,879,391	0	7,590
Equity transfer	286,032	(280,729)	0
TOTAL NET POSITION - BEGINNING OF YEAR, as restated	2,165,423	(280,729)	7,590
TOTAL NET POSITION - END OF YEAR	\$ 1,930,350	\$ 0	\$ 5,842

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<u>Business Activities</u>	<u>State Local</u>	<u>Total</u>
\$ 0	\$ 8,595	\$ 261,946
3,624	0	10,223
<u>3,624</u>	<u>8,595</u>	<u>272,169</u>
0	2,424	251,017
0	81	170
0	3,410	154,096
0	1,450	168,420
0	0	71,685
0	0	1,111,237
0	1,815	88,356
<u>0</u>	<u>9,180</u>	<u>1,844,981</u>
<u>3,624</u>	<u>(585)</u>	<u>(1,572,812)</u>
0	0	1,627,540
0	0	(8,248)
18	10	495
<u>18</u>	<u>10</u>	<u>1,619,787</u>
<u>0</u>	<u>0</u>	<u>0</u>
<u>3,642</u>	<u>(575)</u>	<u>46,975</u>
7,440	66,950	1,961,371
<u>0</u>	<u>(5,303)</u>	<u>0</u>
<u>7,440</u>	<u>61,647</u>	<u>1,961,371</u>
<u>\$ 11,082</u>	<u>\$ 61,072</u>	<u>\$ 2,008,346</u>

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED

JUNE 30, 2019

Annual Contributions Contract A-3762

1. The Capital Fund Grant Costs are as follows:

Funds Approved		<u>501-18</u>
Funds Expended	\$	137,585
		<u>137,585</u>
Excess / (Deficiency) of Funds Approved	\$	<u>0</u>
Funds Advanced	\$	137,585
Funds Expended		<u>137,585</u>
Excess / (Deficiency) of Funds Advanced	\$	<u>0</u>

- Costs additions totaling \$ 137,585 were made during the current audit period, and accordingly, were audited by Goldie Roberts, CPA.
- The total amount of the Capital Fund Grant Costs at June 30, 2019 as shown above are in agreement with the Actual Development Cost Certificate submitted to HUD and approved by HUD.
- All Capital Fund grant work in connection with the Project has been completed.
- All liabilities have been paid and there are no undischarged liens against the Project on file in any public office where the same should be filed in order to be valid and the time in which such liens could be filed has expired.
- There were no budget overruns.

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

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$215,541	\$11,006	\$1,530	\$11,082	\$239,159		\$239,159
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted		\$38,786			\$38,786		\$38,786
114 Cash - Tenant Security Deposits	\$20,377		\$300		\$20,677		\$20,677
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$235,918	\$49,792	\$1,830	\$11,082	\$298,622	\$0	\$298,622
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous							
126 Accounts Receivable - Tenants	\$6,406				\$6,406		\$6,406
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,281				-\$1,281		-\$1,281
126.2 Allowance for Doubtful Accounts - Other							
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery							
128.1 Allowance for Doubtful Accounts - Fraud							
129 Accrued Interest Receivable	\$7				\$7		\$7
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$5,132	\$0	\$0	\$0	\$5,132	\$0	\$5,132
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	\$12,721	\$2,513			\$15,234		\$15,234
143 Inventories	\$4,426				\$4,426		\$4,426
143.1 Allowance for Obsolete Inventories	-\$133				-\$133		-\$133
144 Inter Program Due From	\$8,232				\$8,232	-\$8,232	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$278,296	\$52,305	\$1,830	\$11,082	\$343,513	-\$8,232	\$335,281
161 Land	\$1,002,773		\$4,400		\$1,007,173		\$1,007,173

162 Buildings	\$3,602,966		\$72,600		\$3,675,566		\$3,675,566
163 Furniture, Equipment & Machinery - Dwellings	\$159,351				\$159,351		\$159,351
164 Furniture, Equipment & Machinery - Administration	\$193,551	\$7,985			\$201,536		\$201,536
165 Leasehold Improvements							
166 Accumulated Depreciation	-\$3,190,958	-\$7,985	-\$9,226		-\$3,208,169		-\$3,208,169
167 Construction in Progress							
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,767,683	\$0	\$67,774	\$0	\$1,835,457	\$0	\$1,835,457
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	\$1,767,683	\$0	\$67,774	\$0	\$1,835,457	\$0	\$1,835,457
200 Deferred Outflow of Resources	\$27,934	\$14,065			\$41,999		\$41,999
290 Total Assets and Deferred Outflow of Resources	\$2,073,913	\$66,370	\$69,604	\$11,082	\$2,220,969	-\$8,232	\$2,212,737
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$3,765	\$1,335			\$5,100		\$5,100
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$1,715				\$1,715		\$1,715
322 Accrued Compensated Absences - Current Portion	\$3,472				\$3,472		\$3,472
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	\$20,377		\$300		\$20,677		\$20,677
342 Unearned Revenue	\$1,218	\$8,063			\$9,281		\$9,281
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	\$10,603	\$493			\$11,096		\$11,096
347 Inter Program - Due To			\$8,232		\$8,232	-\$8,232	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$41,150	\$9,891	\$8,532	\$0	\$59,573	-\$8,232	\$51,341

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	\$1,849				\$1,849		\$1,849
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities	\$80,660	\$40,615			\$121,275		\$121,275
350 Total Non-Current Liabilities	\$82,509	\$40,615	\$0	\$0	\$123,124	\$0	\$123,124
300 Total Liabilities	\$123,659	\$50,506	\$8,532	\$0	\$182,697	-\$8,232	\$174,465
400 Deferred Inflow of Resources	\$19,904	\$10,022			\$29,926		\$29,926
508.4 Net Investment in Capital Assets	\$1,767,683		\$67,774		\$1,835,457		\$1,835,457
511.4 Restricted Net Position	\$12,000	\$38,786			\$50,786		\$50,786
512.4 Unrestricted Net Position	\$150,667	-\$32,944	-\$6,702	\$11,082	\$122,103		\$122,103
513 Total Equity - Net Assets / Position	\$1,930,350	\$5,842	\$61,072	\$11,082	\$2,008,346	\$0	\$2,008,346
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,073,913	\$66,370	\$69,604	\$11,082	\$2,220,969	-\$8,232	\$2,212,737

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

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$231,775		\$8,595		\$240,370		\$240,370
70400 Tenant Revenue - Other	\$21,576				\$21,576		\$21,576
70500 Total Tenant Revenue	\$253,351	\$0	\$8,595	\$0	\$261,946	\$0	\$261,946
70600 HUD PHA Operating Grants	\$420,235	\$1,207,305			\$1,627,540		\$1,627,540
70610 Capital Grants							
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue					\$0	\$0	\$0
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$467		\$10	\$18	\$495		\$495
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery							
71500 Other Revenue	\$6,016	\$583		\$3,624	\$10,223		\$10,223
71600 Gain or Loss on Sale of Capital Assets	-\$8,248				-\$8,248		-\$8,248
72000 Investment Income - Restricted	\$0				\$0		\$0
70000 Total Revenue	\$671,821	\$1,207,888	\$8,605	\$3,642	\$1,891,956	\$0	\$1,891,956
91100 Administrative Salaries	\$95,381	\$41,360			\$136,741		\$136,741
91200 Auditing Fees	\$3,475	\$3,475			\$6,950		\$6,950
91300 Management Fee							
91310 Book-keeping Fee							
91400 Advertising and Marketing	\$12				\$12		\$12
91500 Employee Benefit contributions - Administrative	\$27,838	\$25,107			\$52,945		\$52,945
91600 Office Expenses	\$10,821	\$15,467			\$26,288		\$26,288

91700 Legal Expense							
91800 Travel	\$900				\$900		\$900
91810 Allocated Overhead							
91900 Other	\$14,048	\$5,487	\$2,424		\$21,959		\$21,959
91000 Total Operating - Administrative	\$152,475	\$90,896	\$2,424	\$0	\$245,795	\$0	\$245,795
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	\$89		\$81		\$170		\$170
92500 Total Tenant Services	\$89	\$0	\$81	\$0	\$170	\$0	\$170
93100 Water	\$41,258		\$912		\$42,170		\$42,170
93200 Electricity	\$71,447		\$2,452		\$73,899		\$73,899
93300 Gas	\$37,736		\$46		\$37,782		\$37,782
93400 Fuel							
93500 Labor							
93600 Sewer	\$245				\$245		\$245
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$150,686	\$0	\$3,410	\$0	\$154,096	\$0	\$154,096
94100 Ordinary Maintenance and Operations - Labor	\$68,487				\$68,487		\$68,487
94200 Ordinary Maintenance and Operations - Materials and Other	\$29,245				\$29,245		\$29,245
94300 Ordinary Maintenance and Operations Contracts	\$49,338		\$1,450		\$50,788		\$50,788
94500 Employee Benefit Contributions - Ordinary Maintenance	\$19,900				\$19,900		\$19,900
94000 Total Maintenance	\$166,970	\$0	\$1,450	\$0	\$168,420	\$0	\$168,420
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$39,401				\$39,401		\$39,401
96120 Liability Insurance	\$2,729	\$2,650			\$5,379		\$5,379
96130 Workmen's Compensation	\$12,075	\$4,507			\$16,582		\$16,582
96140 All Other Insurance							
96100 Total insurance Premiums	\$54,205	\$7,157	\$0	\$0	\$61,362	\$0	\$61,362

96200 Other General Expenses		\$346			\$346		\$346
96210 Compensated Absences	\$5,222				\$5,222		\$5,222
96300 Payments in Lieu of Taxes	\$383				\$383		\$383
96400 Bad debt - Tenant Rents	\$9,594				\$9,594		\$9,594
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$15,199	\$346	\$0	\$0	\$15,545	\$0	\$15,545
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$539,624	\$98,399	\$7,365	\$0	\$645,388	\$0	\$645,388
97000 Excess of Operating Revenue over Operating Expenses	\$132,197	\$1,109,489	\$1,240	\$3,642	\$1,246,568	\$0	\$1,246,568
97100 Extraordinary Maintenance							
97200 Casually Losses - Non-capitalized							
97300 Housing Assistance Payments		\$1,111,237			\$1,111,237		\$1,111,237
97350 HAP Portability-In							
97400 Depreciation Expense	\$86,541		\$1,815		\$88,356		\$88,356
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$626,165	\$1,209,636	\$9,180	\$0	\$1,844,981	\$0	\$1,844,981
10010 Operating Transfer In	\$286,032				\$286,032	-\$286,032	\$0
10020 Operating transfer Out	-\$280,729		-\$5,303		-\$286,032	\$286,032	\$0
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							

10093	Transfers between Program and Project - In						
10094	Transfers between Project and Program - Out						
10100	Total Other financing Sources (Uses)	\$5,303	\$0	-\$5,303	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$50,959	-\$1,748	-\$5,878	\$3,642	\$46,975	\$0
11020	Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0
11030	Beginning Equity	\$1,879,391	\$7,590	\$66,950	\$7,440	\$1,961,371	\$1,961,371
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors						
11050	Changes in Compensated Absence Balance						
11060	Changes in Contingent Liability Balance						
11070	Changes in Unrecognized Pension Transition Liability						
11080	Changes in Special Term/Severance Benefits Liability						
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100	Changes in Allowance for Doubtful Accounts - Other						
11170	Administrative Fee Equity		-\$32,944			-\$32,944	-\$32,944
11180	Housing Assistance Payments Equity		\$38,786			\$38,786	\$38,786
11190	Unit Months Available	888	2856	12		3756	3756
11210	Number of Unit Months Leased	849	2592	12		3453	3453
11270	Excess Cash	\$163,164				\$163,164	\$163,164
11610	Land Purchases	\$0				\$0	\$0
11620	Building Purchases	\$14,387				\$14,387	\$14,387
11630	Furniture & Equipment - Dwelling Purchases	\$0				\$0	\$0
11640	Furniture & Equipment - Administrative Purchases	\$0				\$0	\$0
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, 2019

NOTE A - Financial Data Schedule:

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense 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, 2019

<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	\$ 139,506	\$ 139,506
	Housing Choice Cluster			
C-2064	Housing Choice Vouchers	14.871	1,207,305	1,207,305
C-2016	Capital Fund Grant Program	14.872	<u>280,729</u>	<u>280,729</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$1,627,540</u>	<u>\$1,627,540</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, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost 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 not 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, 2019, 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 January 9, 2020.

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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose Of This Report

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

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
January 9, 2020

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, 2019. 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, 2019.

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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
January 9, 2020

KNOX COUNTY HOUSING AUTHORITY
Bicknell, Indiana

JUNE 30, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

Internal control over financial reporting:

~ Material weakness(es) identified? yes X no
~ Significant deficiency(s) identified? yes X none reported
Noncompliance material to financial statements noted? yes X no

FEDERAL AWARDS

Internal control over major federal programs:

~ Material weakness(es) identified? yes X no
~ Significant deficiency(s) identified that are not considered to be material weakness(es)? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Housing Choice Vouchers
14.872	Capital Fund Grant Program

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, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

PRIOR YEAR FINDINGS

none reported

CURRENT YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

none reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

none reported