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August 5, 2022

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 Barry E. Gaudette, CPA, PC, for the period July 1, 2020 to June 30, 2021. 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, 2021, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Barry E. Gaudette, CPA, PC, prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

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

**FOR THE YEAR ENDED JUNE 30, 2021
AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

KNOX COUNTY HOUSING AUTHORITY
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INTRODUCTION

Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

Independent Auditor's Report

Board of Commissioners
Knox County Housing Authority
Knox County, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Knox County Housing Authority, Indiana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Knox County Housing Authority, Indiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we 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 entity'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 entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Knox County Housing Authority, Indiana, as of June 30, 2021, and the respective 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 4 to 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Knox County Housing Authority, Indiana's basic financial statements. The financial data schedule shown on pages 32 to 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The financial data schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (Continued)

Other Information (Continued)

Management has not presented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021, on our consideration of the Knox County Housing Authority, Indiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Knox County Housing Authority, Indiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Knox County Housing Authority, Indiana's internal control over financial reporting and compliance.

Barry E. Gaudette, CPA, PC

December 9, 2021

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2021
(Unaudited)

This section of the Knox County Housing Authority, Indiana (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on June 30, 2021. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

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

FINANCIAL HIGHLIGHTS

The term "Net Position" refers to the difference between assets and liabilities. The Authority's total net position as of June 30, 2021 was \$2,054,438. The net position increased by \$35,162, an increase of 1.7% over the prior year.

Revenues for the Authority were \$1,789,130 for the year ended June 30, 2021. This was an increase of \$64,950 or 3.7% over the prior year.

Expenses for the Authority were \$1,753,968 for the year ended June 30, 2021. This was an increase of \$40,718 or 2.3% over the prior year.

Tenant revenue for the Authority was \$275,220 or 15.3% of total revenues for the year ended June 30, 2021. This was an increase of \$3,383 or 1.2% over the prior year.

Governmental grants and subsidy for the Authority was \$1,511,877 or 84.2% of total revenues for the year ended June 30, 2021. This was an increase of \$75,311 or 5.2% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2021
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Required Financial Statements

The *Statement of Net Position* includes the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Housing Authority creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Housing Authority.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

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

Supplemental Information

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

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$2,054,438 at the close of the year ended June 30, 2021, up from \$2,019,276 in fiscal year 2020. The increase in net position of \$35,162 was due to the reasons noted below.

Current assets were \$533,435 or 23.9% of total assets for FY 2021 and include cash, investments, receivables, prepaid expenses, and materials inventory. Of the \$76,946 increase in this category, cash and investments decreased \$109,278, receivables increased \$198,321, and prepaid expenses decreased \$12,097.

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2021
(Continued)

FINANCIAL ANALYSIS (Continued)

Capital assets were \$1,699,038 or 76.1% of total assets for FY 2021 and decreased \$61,147 from FY 2020. Decrease in capital assets was the result of current year depreciation exceeding current year additions. Change in capital assets is explained in section titled "Capital Assets" of this analysis.

Deferred outflows increased \$7,555 or 32.6% over FY 2020.

Current liabilities decreased \$616 or 0.8% from FY 2020.

Noncurrent liabilities decreased \$20,768 due to a \$21,629 decrease in net pension liability.

Deferred inflows increased \$9,576 or 36.3% over FY 2020.

The unrestricted net position was \$341,036 as of June 30, 2021. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays, excluding housing assistance, for six months. The restricted net position resulting from excess Housing Choice Voucher HAP funding was \$2,364 as of June 30, 2021. This amount may only be used for housing assistance payments. The Authority also had restricted net position of \$12,000 for Public Housing. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

CONDENSED STATEMENTS OF NET POSITION

	06/30/21	06/30/20	Dollar Change
Current and other assets	\$ 533,435	\$ 456,489	\$ 76,946
Capital assets, net	1,699,038	1,760,185	(61,147)
Deferred outflow of resources	30,696	23,141	7,555
Total Assets	<u>2,263,169</u>	<u>2,239,815</u>	<u>23,354</u>
Current liabilities	78,346	78,962	(616)
Non current liabilities	94,404	115,172	(20,768)
Deferred inflow of resources	35,981	26,405	9,576
Total Liabilities	<u>208,731</u>	<u>220,539</u>	<u>(11,808)</u>
Net Position:			
Net Investment in capital assets	1,699,038	1,760,185	(61,147)
Restricted net position	14,364	39,623	(25,259)
Unrestricted net position	341,036	219,468	121,568
Total Net Position	<u>\$ 2,054,438</u>	<u>\$ 2,019,276</u>	<u>\$ 35,162</u>

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2021
(Continued)

FINANCIAL ANALYSIS (Continued)

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

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

As can be seen in the table on the following page, total revenues increased \$64,950 due to the reasons noted below.

Tenant revenue increased \$3,383 or 1.2% from FY 2020 primarily due to a 1.5% increase in Public Housing occupancy. This was partially offset by a slight decrease in average dwelling rental charge per unit of \$0.80 or 0.3%. Average dwelling rent per unit was \$302.83 in FY 2021, down slightly from \$303.63 in FY 2020.

Governmental grants and subsidy increased \$75,311 from FY 2020 mainly due to a \$28,740 increase in housing choice voucher program assistance received from HUD and a \$25,013 increase in funding earned for Public Housing and Section 8 Voucher CARES Act. The Authority also had a \$12,190 increase in funding for Public Housing Operating Subsidy and a \$9,368 increase in capital funds utilized for operating expenditures.

Miscellaneous revenue decreased \$8,621 from FY 2020.

Investment income decreased \$409 from FY 2020.

The Authority had a loss on sale of fixed assets of \$2,436 in FY 2020.

Total expenses increased \$40,718 due to the reasons noted below.

Administrative expense was \$232,401 or 13.2% of total expenses for FY 2021 and increased \$621 or 0.3% over FY 2020.

The Authority had tenant services of \$10,153 in FY 2020.

Utilities were \$163,474 or 9.3% of total expenses for FY 2021 and increased \$3,172 or 2.0% over 2020. Increase in utilities was due to an increase in electricity of \$6,765 or 9.4% and an increase in gas of \$1,997 or 5.6%. This was partially offset by a decrease in water and sewer of \$5,590 or 10.7%.

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2021
(Continued)

FINANCIAL ANALYSIS (Continued)

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

	<u>06/30/21</u>	<u>06/30/20</u>	<u>Dollar Change</u>
Revenues and contributions			
Operating, non operating, capital contributions:			
Tenant revenue	\$ 273,351	\$ 269,199	\$ 4,152
Tenant revenue – other	1,869	2,638	(769)
Total Tenant revenue	<u>275,220</u>	<u>271,837</u>	3,383
HUD operating grants	1,511,877	1,436,566	75,311
Fraud recovery	0	300	(300)
Investment income	644	1,053	(409)
Other revenue	1,389	16,860	(15,471)
Loss on sale of assets	<u>0</u>	<u>(2,436)</u>	<u>2,436</u>
Total Revenues and Contributions	<u>1,789,130</u>	<u>1,724,180</u>	<u>64,950</u>
Expenses			
Administrative	225,251	266,289	(41,038)
Tenant services	0	2,842	(2,842)
Utilities	163,474	160,302	3,172
Maintenance & operations	153,654	47,581	106,073
Insurance	50,402	52,070	(1,668)
General expenses	18,481	75,984	(57,503)
Housing Assistance Payments	1,068,737	1,027,341	41,396
Depreciation	<u>73,969</u>	<u>80,841</u>	<u>(6,872)</u>
Total Expenses	<u>1,753,968</u>	<u>1,713,250</u>	<u>40,718</u>
Change in net position	35,162	10,930	24,232
Beginning net position	<u>2,019,276</u>	<u>2,008,346</u>	<u>10,930</u>
Ending position	<u>\$ 2,054,438</u>	<u>\$ 2,019,276</u>	<u>\$ 35,162</u>

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2021
(Continued)

FINANCIAL ANALYSIS (Continued)

Ordinary maintenance and operations totaled \$153,654 for FY 2021 or 8.7% of total expenses. Increase in maintenance expenses of \$19,053 was due to an increase in contracted maintenance services of \$12,087 or 36.9% and an increase in maintenance labor and benefits of \$8,075 or 9.3%. This was partially offset by a decrease in maintenance materials of \$1,109 or 7.5%.

Insurance expense totaled \$50,402 for FY 2021 or 2.9% of total expenses. Decrease in insurance of \$1,668 was due to a decrease in workers compensation insurance of \$1,218 or 15.7% and a decrease in property and liability insurance of \$450 or 1.0%.

General expenses were \$18,481 for FY 2021 and increased \$2,319 or 14.3% from FY 2020.

The Authority had a \$6,872 or 8.5% decrease in depreciation, which is the write-off of capital assets over their estimated useful life. Depreciation totaled \$73,969 for FY 2021 or 4.2% of total expenses.

Housing assistance payments were \$1,068,737 or 60.7% of total expenses for FY 2021. Housing assistance payments increased \$41,396 or 4.0% due to an increase in average housing assistance payment per unit of \$38.29 or 9.1%. Average housing assistance payment per unit was \$459.67 in FY 2021, up from \$421.39 in FY 2020. Increase in average housing payment per unit was partially offset by a 4.6% decrease in voucher leasing.

The Public Housing occupancy rate for fiscal year ended June 30, 2021 was 97.6%, up from 96.2% in FY 2020.

The Authority is authorized to assist 334 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease-up rate for FY 2021 was 58.0%, down from 60.8% in FY 2020.

CAPITAL ASSETS

The Knox County Housing Authority, Indiana's net investment in capital assets as of June 30, 2021 amounts to \$1,699,038 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, equipment, and construction in progress.

Capital Assets – The total decrease in the Authority's capital assets for the current fiscal year was 3.5% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues were \$12,822 for the year. The Authority has various contract commitments with contractors for the implementation of the HUD capital grants as outlined by the HUD approved Capital Grant Budget. Depreciation charges for the year totaled \$73,969. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

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

CAPITAL ASSETS(Continued)

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
June 30,**

	<u>Beginning</u>	<u>Additions</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Ending</u>
Capital assets	\$ 1,760,185	\$ 12,822	\$ (73,969)	\$ 0	\$ 1,699,038

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2022 Public Housing budget. The user charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on occupied units and approved vacancies, utility consumption and rates, approved add-ons, formula income, and transition funding. The amount of funding is also established and approved by HUD. Formula income is based on rental income from the Authority's rent roll records for the period specified by HUD. Operating expenses are expected to increase by the economy's inflation rate.

The Authority receives annual budget authority from HUD based on prior year leasing and HAP utilization. In addition to annual budget authority, the Authority also has \$271,382 in HUD-Held Reserves and \$2,364 in HAP Reserves available for housing assistance payments. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2022 and adjusted for pro-ration which is currently at 84.650%.

REQUEST FOR INFORMATION

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

FINANCIAL STATEMENTS

Knox County Housing Authority
Statement of Net Position
June 30, 2021

ASSETS

Current Assets:

Cash and cash equivalents	\$ 284,643
Accounts receivable, net	202,299
Prepaid expenses	29,545
Investments- restricted	12,000
Inventories, net	4,948
Total Current Assets	533,435

Capital Assets:

Land	1,007,173
Buildings	3,642,141
Equipment	363,547
	5,012,861
Less: accumulated depreciation	(3,313,823)
Net Capital Assets	1,699,038

Deferred Outflow of Resources	30,696
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Total Assets	\$ 2,263,169
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LIABILITIES and NET POSITION

Current Liabilities:

Accounts payable	\$ 4,708
Accrued expenses	22,557
Tenant security deposit liability	21,440
Unearned revenue	29,641
Total Current Liabilities	78,346

Non-Current Liabilities:

Accrued compensated absences	1,678
Accrued Pension	92,726
	94,404

Total Non-Current Liabilities	94,404
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Deferred Inflow of Resources	35,981
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Total Liabilities	208,731
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Net Position:

Net investment in capital assets	1,699,038
Restricted net position	14,364
Unrestricted net position	341,036
Total Net Position	2,054,438

Total Liabilities and Net Position	\$ 2,263,169
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See notes to financial statements

**Knox County Housing Authority
Statement of Revenues, Expenses, And
Changes in Net Position
Year Ended June 30, 2021**

OPERATING REVENUES:

Dwelling rent	\$ 275,220
Operating grants	<u>1,511,877</u>
Total operating revenues	<u>1,787,097</u>

OPERATING EXPENSES:

Administrative	225,251
Utilities	170,243
Maintenance	146,885
Insurance	50,402
General expenses	18,481
Housing assistance payments	1,068,737
Depreciation	<u>73,969</u>
Total operating expenses	<u>1,753,968</u>

Operating income (loss)	<u>33,129</u>
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NONOPERATING REVENUES (EXPENSES):

Investment interest income - Unrestricted	644
Other revenue	<u>1,389</u>

Total non operating revenues	<u>2,033</u>
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Change in net position	35,162
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Net Position, beginning	<u>2,019,276</u>
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Net Position, ending	<u>\$ 2,054,438</u>
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See notes to financial statements

Knox County Housing Authority
Statement of Cash Flows
Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and non dwelling rents	\$ 261,508
Cash received from operating grants	1,315,639
Cash payments to other suppliers of goods and services	(1,399,229)
Cash payments to employees for services	(274,840)
Cash payments for payments in lieu of taxes	<u>(1,717)</u>
Net cash (used) by operating activities	<u>(98,639)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	<u>150</u>
Net cash provided by noncapital financing activities	<u>150</u>

CASH FLOW FROM CAPITAL AND RELATED FINANCING

Payments for capital acquisitions	<u>(12,822)</u>
Net cash (used) by capital and related financing activities	<u>(12,822)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Other revenue	1,389
Receipts of interest income - unrestricted	<u>644</u>
Net cash provided by investing activities	<u>2,033</u>

Net increase (decrease) in cash	(109,278)
Cash and cash equivalents, beginning	<u>393,921</u>
Cash and cash equivalents, ending	<u><u>\$ 284,643</u></u>

See notes to financial statements

Knox County Housing Authority
Statement of Cash Flows (Continued)
Year Ended June 30, 2021

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

Operating income (loss)	\$	33,129
Adjustments to reconcile operating (loss) to net cash provided (used)		
By operating activities:		
Depreciation		73,969
Allowance for doubtful accounts		(439)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants		(1,644)
Accounts receivable - HUD		(196,238)
Prepaid expenses		12,097
Deferred outflow of resources		(7,555)
Increase (decrease) in liabilities:		
Accounts payable-trade		(644)
Accrued wages/payroll taxes payable		2,713
Accrued compensated absences		4,189
Accrued liabilities - other		5,466
Unearned revenue		(11,629)
Deferred inflow of resources		9,576
Accrued pension		(21,629)
		(21,629)
Net cash (used) by operating activities	\$	(98,639)

See notes to financial statements

Knox County Housing Authority
Notes to Financial Statements
June 30, 2021

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

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

1. Reporting Entity

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

Low Income Public Housing

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

Public Housing Capital Fund

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

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

1. Reporting Entity (Continued)

Section 8 Housing Choice Vouchers

HUD provides grants to the Housing Authority to subsidize rents paid by low income families and issued vouchers affording them choices in renting from private landlords. The Housing Authority subsidizes the landlord for the differences between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard. This program provided rental assistance to approximately 243 families and individuals this year.

CARES Act Funding

HUD provided funding to help low income families during the coronavirus pandemic. This funding can be used by the Housing Authority to help families prevent, prepare for and respond to the coronavirus.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

3. Measurement Focus

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

4. Basis of Accounting

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

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

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

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

5. Basis of Accounting (Continued)

Housing Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

6. Budgets and Budgetary Accounting

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

7. Cash and Cash Equivalents

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

8. Tenant Accounts Receivable and Allowance for Bad Debts

Accounts receivable have been adjusted for all known uncollectible accounts.

9. Prepaid Expenses

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

10. 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.

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

11. Inter-Program Activity

During the course of operations, transactions occur within individual programs that may result in amounts owed or transfers between programs. Offsetting inter-program receivables and payables as well as offsetting inter-program transfers are eliminated for financial statement presentation. For the year ended June 30, 2021, there were inter-program receivables and payables of \$1,232, and there was \$162,921 in operating transfers.

11. Inventories

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

12. Buildings and Equipment

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

Buildings	15	-	40 years
Equipment	5	-	10 years

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

13. Income Taxes

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

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

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

15. Deferred Outflows/Inflows of Resources

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

16. Operating Revenues and Expenses

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

17. Operating and Non-operating Revenues

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

18. Unearned Revenue

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

19. Comparative Data

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

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

20. Net Position

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

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

21. Subsequent Events

The financial statements and related disclosures include evaluation of events through and including December 9, 2021, which is the date the financial statements were available to be issued.

NOTE B: CASH AND CASH EQUIVALENTS

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

NOTE B: CASH AND CASH EQUIVALENTS (CONTINUED)

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

Cash – operations	\$ 284,643
Total	<u>\$ 284,643</u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of June 30, 2021:

Bank deposits (checking, savings, and treasury obligation accounts)	\$ 284,443
Petty cash	<u>200</u>
Total	<u>\$ 284,643</u>

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

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	<u>Balance 06/30/20</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 06/30/21</u>
Low Rent Program				
Land	\$ 1,002,773	\$ 0	\$ 0	\$ 1,002,773
Buildings	3,589,360	0	(19,819)	3,569,541
Furniture, equipment & machinery - dwellings	153,370	0	(5,000)	148,370
Furniture, equipment & machinery - administration	197,031	5,000	0	202,031
	<u>4,942,534</u>	<u>\$ 5,000</u>	<u>\$ (24,819)</u>	<u>4,922,715</u>
Less accumulated depreciation	<u>(3,248,308)</u>	<u>\$ (71,939)</u>	<u>\$ 27,480</u>	<u>(3,292,767)</u>
Total	<u>\$ 1,694,226</u>			<u>\$ 1,629,948</u>

NOTE C: CAPITAL ASSETS (CONTINUED)

	<u>Balance 06/30/20</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 06/30/21</u>
Housing Choice Voucher Program				
Furniture, equipment & machinery - administration	\$ 7,985	\$ 5,161	\$ 0	\$ 13,146
	<u>7,985</u>	<u>\$ 5,161</u>	<u>\$ 0</u>	<u>13,146</u>
Less accumulated depreciation	<u>(7,985)</u>	<u>\$ (215)</u>	<u>\$ 0</u>	<u>(8,200)</u>
Total	<u>\$ 0</u>			<u>\$ 4,946</u>
 State and Local				
Land	\$ 4,400	\$ 0	\$ 0	\$ 4,400
Buildings	<u>72,600</u>	<u>0</u>	<u>0</u>	<u>72,600</u>
	<u>77,000</u>	<u>0</u>	<u>0</u>	<u>77,000</u>
Less accumulated depreciation	<u>(11,041)</u>	<u>\$ (1,815)</u>	<u>\$ 0</u>	<u>(12,856)</u>
Total	<u>\$ 65,959</u>			<u>\$ 64,144</u>
Combined Totals				<u>\$ 1,699,038</u>

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

Business-type activities:	
Low Rent Program	\$ 71,939
Housing Choice Voucher Program	215
State and Local	<u>1,815</u>
	<u>\$ 73,969</u>

NOTE D: NON-CURRENT LIABILITIES

As of June 30, 2021, the non-current liabilities are comprised of the following:

Accrued compensated absences- noncurrent portion	\$ 1,678
Accrued pension	92,726
	<u>\$ 94,404</u>

The following is a summary of changes in non-current liabilities for the year ended June 30, 2021:

	<u>Balance 06/30/20</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/21</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ 817	\$ 861	\$ 0	\$ 1,678	\$ 7,938
Accrued pension	114,355	0	(21,629)	92,726	0
	<u>\$ 115,172</u>	<u>\$ 861</u>	<u>\$ (21,629)</u>	<u>\$ 94,404</u>	<u>\$ 7,938</u>

NOTE E: COMMITMENTS AND CONTINGENCIES

Commitments – Construction

At June 30, 2021, the Housing Authority had the following capital fund grants:

	<u>IN36P067501-20</u>	<u>IN36P067501-21</u>
Funds Approved	\$ 153,667	\$ 162,049
Funds Expended	(152,815)	(162,049)
Excess of Funds Approved	<u>\$ 852</u>	<u>\$ 0</u>
Funds Advanced (HUD Grants)	\$ 152,815	\$ 0
Funds Expended	(152,815)	(0)
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>

The audited costs for 2021 agree with the costs shown on the Form HUD-53001.

Contingencies

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

NOTE F: RISK MANAGEMENT

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

NOTE G: PENSION PLAN

Description of Pension Plan

The Knox County Housing Authority (Housing Authority) participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 68, 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.

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.

Eligibility for Pension Benefit Payment

Full Retirement Benefit:

- At age 65 with at least 10 years of creditable service (eight years for certain elected officials).
- At age 60 with at least 15 years of creditable service.
- At age 55 if age and creditable service total at least 85 ("Rule of 85").
- At age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position.
- At age 70 with 20 years of creditable service and still active in the PERF-covered position.

Early Retirement Benefit:

Age 50 and minimum of 15 years of creditable service (44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59).

Disability Benefit:

An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$180 per month).

NOTE G: PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

Survivor Benefit:

If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death.

If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment: Five Year Certain & Life, Joint with 100 percent Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits.

Contribution Rates

Contributions are determined by the Board based on an actuarial valuation. Employers contribute 11.2 percent of covered payroll, with 0.43 percent from July 2019 to December 2019 and 0.44 percent from January 2020 to June 2020 funding a supplemental reserve account for postretirement benefits. Contributions from employers with PERF MC DC plan members, who either currently offer or have offered PERF Hybrid, fund PERF DB's unfunded liability at 8.0 percent of covered payroll for the State and 7.3 percent for political subdivisions. No member contributions are required.

Benefit Formula & Postretirement Benefit Adjustment

Lifetime Annual Benefit = Years of Creditable Service x Average Highest Five-Year Annual Salary x 1.1 percent (minimum of \$180 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than \$2,000 received from the employer in severance.

Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12.4 and administered by the Board.

Basis of Accounting

The financial statements of INPRS have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations.

Net Pension Liability

At June 30, 2020, the Authority reported a liability of \$92,726. The proportionate share of the liability as of June 30, 2020 was \$114,355.

NOTE G: PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

	2020 Valuation
Type of Plan	The Public Employees' Retirement Fund is a cost-sharing multiple-employer plan for GASB accounting purposes.
Measurement Date	June 30, 2020
Valuation Date	
Assets:	June 30, 2020
Liabilities:	June 30, 2019 – The TPL as of June 30, 2020 was determined based on an actuarial valuation prepared as of June 30, 2019 rolled forward one year to June 30, 2020, using the following key actuarial assumptions and other inputs, such as benefit accruals and actual benefit payments during that time period.
Inflation	2.25%
Future Salary Increases	2.75% - 8.75% based on service
Costs of Living Increases	As of June 30, 2020: In lieu of a COLA on January 1, 2021, members in pay were provided a 13th check on October 1, 2020. Thereafter, the following COLAs, compounded annually, were assumed: 0.4% beginning on January 1, 2022 0.5% beginning on January 1, 2034 0.6% beginning on January 1, 2039 As of June 30, 2019: In lieu of a COLA on January 1, 2020 and January 1, 2021, members in pay were provided a 13th check on October 1, 2019 and October 1, 2020. Thereafter, the following COLAs, compounded annually, were assumed: 0.4% beginning on January 1, 2022 0.5% beginning on January 1, 2034 0.6% beginning on January 1, 2039

Mortality Assumption - Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

Healthy Employees – General Employee table with a 3-year set forward for males and a 1 year set forward for females.

Retirees – General Retiree table with a 3-year set forward for males and a 1 year set forward for females.

Beneficiaries – Contingent Survivor table with no set forward for males and a 2-year set forward for females.

NOTE G: PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Disableds – General Disabled table with a 140% load

Experience Study - The most recent comprehensive experience study, based on member experience between June 30, 2014 and June 30, 2019, was completed in February 2020. The demographic assumptions were approved by the Board in June 2020 and were updated as appropriate based on the results of the study for this June 30, 2020 actuarial valuation.

Discount Rate - 6.75%, net of investment expenses

The discount rate is equal to the expected long-term rate of return on plan investments, net of investment expense and including price inflation. There was no change in the discount rate from the prior measurement date.

The INPRS Board of Trustees has established a funding policy of setting the employer contribution rate equal to the greater of 11.2% (the current contribution rate) or a rate equal to the actuarially determined contribution rate, which is based on the assumptions and methods selected by the Board for the annual actuarial valuations and projected covered member payroll. The June 30, 2020 actuarial valuation assumes a long-term rate of return on assets of 6.75%, a 20-year level dollar closed method for amortizing the future layers of unfunded actuarial accrued liability (30 years for amortization layers established prior to June 30, 2016), and a 5-year smoothing method for recognizing investment gains and losses in the actuarial value of assets.

In the past several years, the Board has followed its current funding policy and the State has complied in its contributions to the plan. Therefore, if past practice is continued, the appropriations will be sufficient to fully fund the plan within 20 to 30 years. In the past, deterministic projections have shown the actuarially determined contribution rate to reach a peak of 10.9% which is slightly below the current rate. As a result, it is presumed that the projected plan assets will be sufficient to cover the future benefit payments for current members.

Discount Rate Sensitivity

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%)
\$151,175	\$92,726	\$43,770

NOTE G: PENSION PLAN (CONTINUED)

Pension Expense

For the year ended June 30, 2021, the Housing Authority recognized pension expense of \$1,266, 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	\$ 1,643	\$ 1,245
Net differences between projected and actual	7,936	0
Change of assumptions	0	19,320
Changes in proportion and differences between	235	15,416
Total	\$ 9,814	\$ 35,981

Contributions Shown by INPRS (reflects impact of any accruals): \$18,583

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)	
2021	\$ (16,738)
2022	(8,158)
2023	(4,642)
2024	3,371
2025	0
Thereafter	0
Total	\$ (26,167)

The information presented above has not been audited.

OTHER INFORMATION

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731 S. Garfield Avenue
Traverse City, Michigan 49686*

Independent Accountant’s Report on Applying Agree-Upon Procedure

To the Board of Commissioners
Knox County Housing Authority

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

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

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

We were engaged to perform an audit in accordance with the audit requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, for the Knox County Housing Authority as of and for the year ended June 30, 2021, and have issued our reports thereon dated December 9, 2021. The information in the “Hard Copy Documents” column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated December 9, 2021, was expressed in relation to the basic financial statements of the Authority taken as a whole.

Independent Accountant's Report on Applying Agreed-Upon Procedure

Page Two

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

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

Barry E. Gaudette, CPA, PC

December 9, 2021

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

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

**Knox County Housing Authority
Schedule of Expenditures of Federal Awards
And Notes to the Schedule of Federal Awards
Year Ended June 30, 2021**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor	Type	Federal CFDA #	Expenditures
<u>U.S. Department of HUD</u>			
Housing Voucher Cluster			
Section 8 Housing Choice Voucher Program	A- Major	14.871	\$ 1,149,222
Public and Indian Housing:			
Public Housing Program	B –Nonmajor	14.850	165,092
Public Housing Capital Fund	B –Nonmajor	14.872	162,901
HCV CARES Act Funding	B- Nonmajor	14.HCC	21,965
Public Housing CARES Act Funding	B- Nonmajor	14.PHC	<u>12,697</u>
Total Federal Financial Awards			<u>\$ 1,511,877</u>
Threshold for Type A/Type B Program			<u>\$ 750,000</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

Basis of Accounting - - The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Housing Authority under programs of the federal government for the year ended June 30, 2021. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of the Uniform Guidance, Audit of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

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

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

Knox County Housing Authority
Financial Data Schedule
Year Ended June 30, 2021

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers 14.871	Public Housing CARES Act Funding 14.PHC
	ASSETS			
	Current assets:			
111	Cash-unrestricted	\$ 167,595	\$ 46,640	\$ 0
113	Cash-other restricted	0	2,364	474
114	Cash-tenant security deposits	21,140	0	0
100	Total cash	<u>188,735</u>	<u>49,004</u>	<u>474</u>
	Receivables:			
122	A/R-HUD-other projects	196,238	0	0
126	A/R-tenants-dwelling rents	6,037	0	0
129	Accrued interest receivable	24	0	0
120	Total receivables, net	<u>202,299</u>	<u>0</u>	<u>0</u>
	Other Current Assets:			
132	Investments- restricted	12,000	0	0
142	Prepaid expenses	26,589	2,956	0
143	Inventories	5,101	0	0
143.1	Allowance for obsolete inventories	(153)	0	0
144	Inter Program Due From	1,232	0	0
	Total other current assets	<u>44,769</u>	<u>2,956</u>	<u>0</u>
150	Total current assets	<u>435,803</u>	<u>51,960</u>	<u>474</u>
	Noncurrent Assets:			
	Fixed Assets:			
161	Land	1,002,773	0	0
162	Buildings	3,569,541	0	0
163	Furn, equip & mach-dwelling	148,370	0	0
164	Furn, equip & mach-admin	202,031	13,146	0
166	Accumulated depreciation	(3,292,767)	(8,200)	0
160	Total fixed assets, net	<u>1,629,948</u>	<u>4,946</u>	<u>0</u>
180	Total non-current assets	<u>1,629,948</u>	<u>4,946</u>	<u>0</u>
200	Deferred outflow of resources	<u>20,287</u>	<u>10,409</u>	<u>0</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 2,086,038</u>	<u>\$ 67,315</u>	<u>\$ 474</u>

HCV CARES Act Funding 14.HCC	2 State/Local	1 Business Activities	Subtotal	Elimination	Total
\$ 0	\$ 7,346	\$ 15,514	\$ 237,095	\$ 0	\$ 237,095
23,270	0	0	26,108	0	26,108
0	300	0	21,440	0	21,440
<u>23,270</u>	<u>7,646</u>	<u>15,514</u>	<u>284,643</u>	<u>0</u>	<u>284,643</u>
0	0	0	196,238	0	196,238
0	0	0	6,037	0	6,037
0	0	0	24	0	24
<u>0</u>	<u>0</u>	<u>0</u>	<u>202,299</u>	<u>0</u>	<u>202,299</u>
0	0	0	12,000	0	12,000
0	0	0	29,545	0	29,545
0	0	0	5,101	0	5,101
0	0	0	(153)	0	(153)
0	0	0	1,232	(1,232)	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>47,725</u>	<u>(1,232)</u>	<u>46,493</u>
<u>23,270</u>	<u>7,646</u>	<u>15,514</u>	<u>534,667</u>	<u>(1,232)</u>	<u>533,435</u>
0	4,400	0	1,007,173	0	1,007,173
0	72,600	0	3,642,141	0	3,642,141
0	0	0	148,370	0	148,370
0	0	0	215,177	0	215,177
0	(12,856)	0	(3,313,823)	0	(3,313,823)
<u>0</u>	<u>64,144</u>	<u>0</u>	<u>1,699,038</u>	<u>0</u>	<u>1,699,038</u>
<u>0</u>	<u>64,144</u>	<u>0</u>	<u>1,699,038</u>	<u>0</u>	<u>1,699,038</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>30,696</u>	<u>0</u>	<u>30,696</u>
<u>\$ 23,270</u>	<u>\$ 71,790</u>	<u>\$ 15,514</u>	<u>\$ 2,264,401</u>	<u>\$ (1,232)</u>	<u>\$ 2,263,169</u>

Knox County Housing Authority
Financial Data Schedule
(Continued)
Year Ended June 30, 2021

FDS Line Item No.	Low Rent Program 14.850	Housing Choice Vouchers 14.871	Public Housing CARES Act Funding 14.PHC
LIABILITIES and NET POSITION			
Current liabilities:			
312	\$ 4,708	\$ 0	\$ 0
321	5,585	0	0
322	7,938	0	0
341	21,140	0	0
342	3,023	2,874	474
346	9,034	0	0
347	0	0	0
310	<u>51,428</u>	<u>2,874</u>	<u>474</u>
Non-current liabilities:			
354	1,678	0	0
357	61,283	31,443	0
350	<u>62,961</u>	<u>31,443</u>	<u>0</u>
300	<u>114,389</u>	<u>34,317</u>	<u>474</u>
400	<u>23,780</u>	<u>12,201</u>	<u>0</u>
Net Position:			
508.4	1,629,948	4,946	0
511.4	12,000	2,364	0
512.4	<u>305,921</u>	<u>13,487</u>	<u>0</u>
513	<u>1,947,869</u>	<u>20,797</u>	<u>0</u>
600	<u>\$ 2,086,038</u>	<u>\$ 67,315</u>	<u>\$ 474</u>

HCV CARES Act Funding 14.HCC	2 State/Local	1 Business Activities	Subtotal	Elimination	Total
\$ 0	\$ 0	\$ 0	\$ 4,708	\$ 0	\$ 4,708
0	0	0	5,585	0	5,585
0	0	0	7,938	0	7,938
0	300	0	21,440	0	21,440
23,270	0	0	29,641	0	29,641
0	0	0	9,034	0	9,034
0	1,232	0	1,232	(1,232)	0
<u>23,270</u>	<u>1,532</u>	<u>0</u>	<u>79,578</u>	<u>(1,232)</u>	<u>78,346</u>
0	0	0	1,678	0	1,678
0	0	0	92,726	0	92,726
<u>0</u>	<u>0</u>	<u>0</u>	<u>94,404</u>	<u>0</u>	<u>94,404</u>
<u>23,270</u>	<u>1,532</u>	<u>0</u>	<u>173,982</u>	<u>(1,232)</u>	<u>172,750</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>35,981</u>	<u>0</u>	<u>35,981</u>
0	64,144	0	1,699,038	0	1,699,038
0	0	0	14,364	0	14,364
0	6,114	15,514	341,036	0	341,036
<u>0</u>	<u>70,258</u>	<u>15,514</u>	<u>2,054,438</u>	<u>0</u>	<u>2,054,438</u>
<u>\$ 23,270</u>	<u>\$ 71,790</u>	<u>\$ 15,514</u>	<u>\$ 2,264,401</u>	<u>\$ (1,232)</u>	<u>\$ 2,263,169</u>

Knox County Housing Authority
Financial Data Schedule
(Continued)
Year Ended June 30, 2021

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers 14.871	Public Housing CARES Act Funding 14.PHC
Revenues				
70300	Net tenant rental revenue	\$ 262,551	\$ 0	\$ 0
70400	Tenant revenue-other	1,869	0	0
70500	Total tenant revenue	264,420	0	0
70600	HUD PHA operating grants	327,993	1,149,222	12,697
71100	Investment income – unrestricted	632	0	0
71500	Other revenue	6,959	0	0
70000	Total Revenue	600,004	1,149,222	12,697
Expenses				
Administrative:				
91100	Administrative salaries	82,610	47,420	5,856
91200	Auditing fees	3,300	3,150	0
91400	Advertising and marketing	93	0	0
91500	Employee benefit contributions	20,598	1,166	0
91600	Office expenses	24,040	12,463	0
91900	Other	6,905	7,684	72
91000	Total operating-administrative	137,546	71,883	5,928
Utilities:				
93100	Water	45,804	0	6,377
93200	Electricity	76,854	0	392
93300	Gas	37,808	0	0
93000	Total utilities	160,466	0	6,769
Ordinary maintenance and operations:				
94100	Labor	71,357	0	0
94200	Materials and other	13,336	0	0
94300	Contracts	44,831	0	0
94500	Employee benefit contributions	17,361	0	0
94000	Total maintenance	146,885	0	0

HCV CARES Act Funding 14.HCC	2 State/Local	1 Business Activities	Subtotal	Elimination	Total
\$ 0	\$ 10,800	\$ 0	\$ 273,351	\$ 0	\$ 273,351
0	0	0	1,869	0	1,869
0	10,800	0	275,220	0	275,220
21,965	0	0	1,511,877	0	1,511,877
0	5	7	644	0	644
0	0	1,580	8,539	(7,150)	1,389
21,965	10,805	1,587	1,796,280	(7,150)	1,789,130
15,766	0	0	151,652	0	151,652
0	0	0	6,450	0	6,450
0	0	0	93	0	93
0	0	0	21,764	0	21,764
0	0	0	36,503	(7,150)	29,353
1,038	240	0	15,939	0	15,939
16,804	240	0	232,401	(7,150)	225,251
0	994	0	53,175	0	53,175
0	2,014	0	79,260	0	79,260
0	0	0	37,808	0	37,808
0	3,008	0	170,243	0	170,243
0	0	0	71,357	0	71,357
0	0	0	13,336	0	13,336
0	0	0	44,831	0	44,831
0	0	0	17,361	0	17,361
0	0	0	146,885	0	146,885

Knox County Housing Authority
Financial Data Schedule
(Continued)
Year Ended June 30, 2021

FDS Line Item No.	Low Rent Program 14.850	Housing Choice Vouchers 14.871	Public Housing CARES Act Funding 14.PHC
	Expenses (continued)		
	Insurance:		
96110	40,766	0	0
96120	260	2,856	0
96130	3,535	2,985	0
96100	<u>44,561</u>	<u>5,841</u>	<u>0</u>
	Other general expenses:		
96200	6,931	0	0
96210	6,460	0	0
96300	1,380	0	0
96400	3,710	0	0
96000	<u>18,481</u>	<u>0</u>	<u>0</u>
96900	<u>507,939</u>	<u>77,724</u>	<u>12,697</u>
97000	<u>92,065</u>	<u>1,071,498</u>	<u>0</u>
	Other Expenses:		
97300	0	1,068,737	0
97400	71,939	215	0
	<u>71,939</u>	<u>1,068,952</u>	<u>0</u>
90000	<u>579,878</u>	<u>1,146,676</u>	<u>12,697</u>
	Other Financing Sources (Uses):		
10010	162,921	0	0
10020	<u>(162,901)</u>	<u>0</u>	<u>0</u>
	20	0	0
10000	20,146	2,546	0
11030	1,927,723	13,090	0
	<u>\$ 1,947,869</u>	<u>\$ 15,636</u>	<u>\$ 0</u>
11170		\$ 18,433	
11180		\$ 2,364	
11190	888	2,921	
11210	867	2,325	

HCV CARES Act Funding 14.HCC	2 State/Local	1 Business Activities	Subtotal	Elimination	Total
0	0	0	40,766	0	40,766
0	0	0	3,116	0	3,116
0	0	0	6,520	0	6,520
0	0	0	50,402	0	50,402
0	0	0	6,931	0	6,931
0	0	0	6,460	0	6,460
0	0	0	1,380	0	1,380
0	0	0	3,710	0	3,710
0	0	0	18,481	0	18,481
16,804	3,248	0	618,412	(7,150)	611,262
5,161	7,557	1,587	1,177,868	0	1,177,868
0	0	0	1,068,737	0	1,068,737
0	1,815	0	73,969	0	73,969
0	1,815	0	1,142,706	0	1,142,706
16,804	5,063	0	1,761,118	(7,150)	1,753,968
0	0	0	162,921	(162,921)	0
0	0	(20)	(162,921)	162,921	0
0	0	(20)	0	0	0
5,161	5,742	1,567	35,162	0	35,162
0	64,516	13,947	2,019,276	0	2,019,276
\$ 5,161	\$ 70,258	\$ 15,514	\$ 2,054,438	\$ 0	\$ 2,054,438

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

*Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Knox County Housing Authority, Indiana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Knox County Housing Authority, Indiana's basic financial statements, and have issued our report thereon dated December 9, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Barry E. Gaudette, CPA, PC

December 9, 2021

Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

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

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

Report on Compliance for Each Major Federal Program

We have audited the Knox County Housing Authority, Indiana'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, Indiana's major federal programs for the year ended June 30, 2021. Knox County Housing Authority, Indiana'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Knox County Housing Authority, Indiana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we 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, Indiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Knox County Housing Authority, Indiana, 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, 2021.

Report on Internal Control over Compliance

Management of the Knox County Housing Authority, Indiana, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Knox County Housing Authority, Indiana'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 auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Knox County Housing Authority, Indiana'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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in 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. We did not identify any deficiencies in internal control over compliance that we 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 our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Barry E. Gaudette, CPA, PC

December 9, 2021

**Knox County Housing Authority
Status of Prior Audit Findings
June 30, 2021**

There were no prior year findings.

Knox County Housing Authority
Schedule of Findings and Questioned Costs
June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

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

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

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

Identification of major programs;

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
--------------------	---

14.871	Housing Choice Vouchers Program
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes

Section II - Findings Related to the Financial Statements

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

Section III - Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.

To the Board of Commissioners
Knox County Housing Authority

We have audited the financial statements of the business type activities of the Knox County Housing Authority for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 21, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Knox County Housing Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021. We noted no transactions entered into by the Knox County Housing Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no major sensitive estimates affecting the Knox County Housing Authority's financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements noted during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Knox County Housing Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Knox County Housing Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's, discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the financial data schedule and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Knox County Housing Authority

Governance Letter

Page 3

Restriction on Use

This information is intended solely for the information and use of the board of commissioners charged with governance and management of the Knox County Housing Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Barry E. Gaudette, CPA