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STATE BOARD OF ACCOUNTS
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June 14, 2023

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, 2021 to June 30, 2022. 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, 2022, 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 black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

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

**FOR THE YEAR ENDED JUNE 30, 2022
AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

KNOX COUNTY HOUSING AUTHORITY
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INTRODUCTION

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

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Knox County Housing Authority, Indiana, as of June 30, 2022 and 2021, and related statement and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Knox County Housing Authority, Indiana as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Knox County Housing Authority, Indiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Knox County Housing Authority, Indiana's ability to continue as a going concern for the year ending June 30, 2022.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Knox County Housing Authority, Indiana's ability to continue as a going concern for a reasonable period of time.

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

Report on Other Legal and Regulatory Requirements

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 4-9 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

Report on Other Legal and Regulatory Requirements (Continued)

Other Matters (Continued)

Required Supplementary Information (Continued)

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

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.

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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2022, on our consideration of 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

/

October 13, 2022

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2022
(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, 2022. 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, 2022 was \$1,962,599. The net position decreased by \$91,839, a decrease of 4.5% from the prior fiscal year.

Revenues for the Authority were \$1,874,734 for fiscal year ended June 30, 2022. This was an increase of \$85,604 or 4.8% over the prior fiscal year.

Expenses for the Authority were \$1,966,573 for the fiscal year ended June 30, 2022. This was an increase of \$212,605 or 12.2% over the prior fiscal year.

Tenant revenue for the Authority was \$299,076 or 16.0% of total revenues for the fiscal year ended June 30, 2022. This was an increase of \$25,725 or 9.5% over the prior fiscal year.

Governmental grants and subsidy for the Authority was \$1,473,982 or 78.7% of total revenues for the fiscal year ended June 30, 2022. This was a decrease of \$37,895 or 2.6% from the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2022
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Required Financial Statements

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

Notes to the Financial Statements

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

Supplemental Information

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

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$1,962,599 at the close of the fiscal year ended June 30, 2022, down from \$2,054,438 in fiscal year 2021. The decrease in net position of \$91,839. The unrestricted net position had a positive balance of \$296,183 as of June 30, 2022. This amount may be used for ongoing obligations when positive. The Housing Authority net position classified \$12,075 as restricted, if any they would be subject to external restrictions on how they may be used.

The unrestricted net position had a positive balance of \$296,183 as of June 30, 2022. This amount may be used for ongoing obligations when positive. The Housing Authority net position classified \$12,075 as restricted, if any they would be subject to external restrictions on how they may be used.

Current assets decreased by \$92,171, was due in part to a decrease in unearned revenue and a decrease in accrued pension. Current liabilities decreased by \$15,422, was due in part to positive cash flows.

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2022
(Continued)

FINANCIAL ANALYSIS (Continued)

CONDENSED STATEMENTS OF NET POSITION

	<u>06/30/22</u>	<u>06/30/21</u>	<u>Dollar Change</u>
Current and other assets	\$ 441,264	\$ 533,435	\$ (92,171)
Capital assets, net	1,654,341	1,699,038	(44,697)
Deferred outflow of resources	<u>54,058</u>	<u>30,696</u>	<u>23,362</u>
Total Assets	<u>2,149,663</u>	<u>2,263,169</u>	<u>(113,506)</u>
Current liabilities	62,924	78,346	(15,422)
Non current liabilities	47,423	94,404	(46,981)
Deferred inflow of resources	<u>76,717</u>	<u>35,981</u>	<u>40,736</u>
Total Liabilities	<u>187,064</u>	<u>208,731</u>	<u>(21,667)</u>
Net Position:			
Net Investment in capital assets	1,654,341	1,699,038	(44,697)
Restricted net position	12,075	14,364	(2,289)
Unrestricted net position	<u>296,183</u>	<u>341,036</u>	<u>(44,853)</u>
Total Net Position	<u>\$ 1,962,599</u>	<u>\$ 2,054,438</u>	<u>\$ (91,839)</u>

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

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

Knox County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2022
(Continued)

FINANCIAL ANALYSIS (Continued)

Revenues:

As can be seen in the following table total revenues and contributions increased by \$85,604, in large part, due to an increase of \$25,725 in tenant rents and an increase in other income over the prior fiscal year.

Knox County Housing Authority's primary revenue sources are subsidies and grants received by HUD. For the fiscal year ending June 30, 2022, revenue generated by the Housing Authority accounted for \$305,034 (or 16.3% of total revenue), while HUD contributions accounted for \$1,473,982 (or 78.7% of total revenue).

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

	<u>06/30/22</u>	<u>06/30/21</u>	<u>Dollar Change</u>
Revenues and contributions			
Operating, non operating, capital contributions:			
Tenant revenue	\$ 299,076	\$ 273,351	\$ 25,725
Tenant revenue – other	5,958	1,869	4,089
Total Tenant revenue	<u>305,034</u>	<u>275,220</u>	<u>29,814</u>
HUD operating grants	1,468,872	1,511,877	(43,005)
Capital grants	5,110	0	5,110
Investment income	583	644	(61)
Other revenue	95,135	1,389	93,746
Total Revenues and Contributions	<u>1,874,734</u>	<u>1,789,130</u>	<u>85,604</u>
Expenses			
Personnel services	301,482	268,594	32,888
Utilities	187,233	170,243	16,990
Maintenance & operations	134,995	58,167	76,828
Insurance	50,425	50,402	23
General expenses	28,309	12,021	16,288
Other supplies and expenses	66,429	51,835	14,594
Housing Assistance Payments	1,127,813	1,068,737	59,076
Depreciation	69,887	73,969	(4,082)
Total Expenses	<u>1,966,573</u>	<u>1,753,968</u>	<u>212,605</u>
Change in net position	(91,839)	35,162	(127,001)
Beginning net position	2,054,438	2,019,276	35,162
Ending position	<u>\$ 1,962,599</u>	<u>\$ 2,054,438</u>	<u>\$ (91,839)</u>

Know County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2022
(Continued)

FINANCIAL ANALYSIS (Continued)

Expenses:

Total expenses for the fiscal year ending June 30, 2022 were \$1,966,573 while for the fiscal year ending June 30, 2021, they were \$1,753,968. This represents a 12.2% increase in our operating costs. The expenses increased, in large part, due to personnel services increasing by \$32,888 and a casualty loss of \$74,941 versus none in the prior fiscal year.

The following represents changes in Federal Assistance received:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Dollar Change</u>
Public Housing Operating Subsidy	\$ 199,619	\$ 327,993	\$ (128,374)
Capital Fund Program Grants Section 8 Housing Choice Voucher Program	5,110	0	5,110
Public Housing CARES Act Funding	1,245,509	1,149,222	96,287
HCV CARES Act Funding	474	12,697	(12,223)
Total	<u>\$ 1,473,982</u>	<u>\$ 1,511,877</u>	<u>\$ (37,895)</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Public Housing decreased mainly due HUD decreasing its funding formula amount for the Housing Authority. The Housing Choice Voucher Program increased due to more units being leased. The Capital Fund Program increase is due to using more than one year's capital grants versus more than one year's capital grants in the prior fiscal year.

CAPITAL ASSETS

CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
June 30,

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>
Land	\$ 1,007,173	\$ 1,007,173	\$ 0
Buildings	3,610,012	3,642,141	(32,129)
Furniture, equipment and machinery			
- Dwellings	148,370	148,370	0
Furniture, equipment and machinery			
- Administration	209,800	215,177	(5,377)
	<u>4,975,355</u>	<u>5,012,861</u>	<u>(37,506)</u>
Accumulated depreciation	<u>(3,321,014)</u>	<u>(3,313,823)</u>	<u>(7,191)</u>
Total	<u>\$ 1,654,341</u>	<u>\$ 1,699,038</u>	<u>\$ (44,697)</u>

Know County Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2022
(Continued)

CAPITAL ASSETS (Continued)

Capital assets decreased by \$(44,697) because of the capital outlays of \$(12,316), depreciation expense of \$(69,887), and disposal of assets of \$37,506.

The Housing Authority used capital funds to purchase an air purifier, upgrade a septic system, installed some flooring, and did a carbon monoxide project during the fiscal year.

Capital projects planned for the next year include the following:

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 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.

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, 2022

ASSETS

Current Assets:

Cash and cash equivalents	\$ 381,604
Accounts receivable, net	27,038
Prepaid expenses	9,590
Investments- restricted	12,075
Inventories, net	10,957
Total Current Assets	441,264

Capital Assets:

Land	1,007,173
Buildings	3,610,012
Equipment	358,170
	4,975,355
Less: accumulated depreciation	(3,321,014)
Net Capital Assets	1,654,341

Deferred Outflow of Resources	54,058
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Total Assets	\$ 2,149,663
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LIABILITIES and NET POSITION

Current Liabilities:

Accounts payable	\$ 24,668
Accrued expenses	14,371
Tenant security deposit liability	21,690
Unearned revenue	2,195
Total Current Liabilities	62,924

Non-Current Liabilities:

Accrued compensated absences	2,947
Accrued Pension	44,476
	47,423

Total Non-Current Liabilities	47,423
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Deferred Inflow of Resources	76,717
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Total Liabilities	187,064
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Net Position:

Net investment in capital assets	1,654,341
Restricted net position	12,075
Unrestricted net position	296,183
Total Net Position	1,962,599

Total Liabilities and Net Position	\$ 2,149,663
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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, 2022**

OPERATING REVENUES:

Dwelling rent	\$ 299,076
Tenant revenue-other	5,958
Operating grants	<u>1,468,872</u>
Total operating revenues	<u>1,773,906</u>

OPERATING EXPENSES:

Administrative	263,452
Utilities	187,233
Maintenance	157,645
Insurance	50,425
General expenses	35,177
Casualty losses-noncapitalized	74,941
Housing assistance payments	1,127,813
Depreciation	<u>69,887</u>

Total operating expenses	<u>1,966,573</u>
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Operating income (loss)	<u>(192,667)</u>
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NONOPERATING REVENUES (EXPENSES):

Investment interest income – Unrestricted	508
Investment interest income – Restricted	75
Other revenue	<u>95,135</u>

Total non operating revenues	<u>95,718</u>
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Income (loss) before contributions	(96,949)
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CAPITAL CONTRIBUTIONS

	<u>5,110</u>
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Change in net position	(91,839)
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Net Position, beginning	<u>2,054,438</u>
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Net Position, ending	<u><u>\$ 1,962,599</u></u>
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See notes to financial statements

Knox County Housing Authority
Statement of Cash Flows
Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and non dwelling rents	\$	278,657
Cash received from operating grants		1,643,064
Cash payments to other suppliers of goods and services		(1,568,832)
Cash payments to employees for services		(330,241)
Cash payments for payments in lieu of taxes		(1,500)
		21,148
Net cash provided by operating activities		21,148

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits		250
		250
Net cash provided by noncapital financing activities		250

CASH FLOW FROM CAPITAL AND RELATED FINANCING

Payments for capital acquisitions		(25,190)
Capital contributions		5,110
		(20,080)
Net cash (used) by capital and related financing activities		(20,080)

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments		(75)
Other revenue		95,135
Receipts of interest income – unrestricted and restricted		583
		95,643
Net cash provided by investing activities		95,643

Net increase (decrease) in cash		96,961
Cash and cash equivalents, beginning		284,643
Cash and cash equivalents, ending	\$	381,604

See notes to financial statements

Knox County Housing Authority
Statement of Cash Flows (Continued)
Year Ended June 30, 2022

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

Operating income (loss)	\$	(192,667)
Adjustments to reconcile operating (loss) to net cash provided (used)		
By operating activities:		
Depreciation		69,887
Allowance obsolete inventories		186
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants		1,069
Accounts receivable - HUD		174,192
Prepaid expenses		19,955
Inventory		(6,195)
Deferred outflow of resources		(23,362)
Increase (decrease) in liabilities:		
Accounts payable-trade		1,099
Accounts payable-PILOT		10,485
Accrued wages/payroll taxes payable		971
Accrued compensated absences		1,146
Accrued liabilities - other		(658)
Unearned revenue		(27,446)
Deferred inflow of resources		40,736
Accrued pension		(48,250)
		(48,250)
Net cash provided by operating activities	\$	21,148

See notes to financial statements

Knox County Housing Authority
Notes to Financial Statements
June 30, 2022

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.

4. 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.

5. Cash and Cash Equivalents

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

6. Tenant Accounts Receivable and Allowance for Bad Debts

Accounts receivable have been adjusted for all known uncollectible accounts.

7. 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.

8. 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)

9. 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, 2022, there were no inter-program receivables and payables and there were no 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 October 13, 2022, 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	\$ 393,679
Total	<u>\$ 393,679</u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of June 30, 2022:

Bank deposits (checking, savings, and treasury obligation accounts)	\$ 393,479
Petty cash	<u>200</u>
Total	<u>\$ 393,679</u>

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

NOTE C: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	<u>Balance 06/30/21</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 06/30/22</u>
Low Rent Program				
Land	\$ 1,002,773	\$ 0	\$ 0	\$ 1,002,773
Buildings	3,569,541	0	(32,129)	3,537,412
Furniture, equipment & machinery - dwellings	148,370	0	0	148,370
Furniture, equipment & machinery - administration	202,031	0	(6,575)	195,456
	<u>4,922,715</u>	<u>\$ 0</u>	<u>\$ (38,704)</u>	<u>4,884,011</u>
Less accumulated depreciation	<u>(3,292,767)</u>	<u>\$ (66,980)</u>	<u>\$ 62,695</u>	<u>(3,297,052)</u>
Total	<u>\$ 1,629,948</u>			<u>\$ 1,586,959</u>

NOTE C: CAPITAL ASSETS (CONTINUED)

	<u>Balance 06/30/21</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 06/30/22</u>
Housing Choice Voucher Program				
Furniture, equipment & machinery - administration	\$ 13,146	\$ 1,198	\$ 0	\$ 14,344
	<u>13,146</u>	<u>\$ 1,198</u>	<u>\$ 0</u>	<u>14,344</u>
Less accumulated depreciation	<u>(8,200)</u>	<u>\$ (1,092)</u>	<u>\$ 1</u>	<u>(9,291)</u>
Total	<u>\$ 4,946</u>			<u>\$ 5,053</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>(12,856)</u>	<u>\$ (1,815)</u>	<u>\$ 0</u>	<u>(14,671)</u>
Total	<u>\$ 64,144</u>			<u>\$ 62,329</u>
Combined Totals				<u>\$ 1,654,341</u>

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

Business-type activities:	
Low Rent Program	\$ 66,980
Housing Choice Voucher Program	1,092
State and Local	<u>1,815</u>
	<u>\$ 69,887</u>

NOTE D: NON-CURRENT LIABILITIES

As of June 30, 2022, the non-current liabilities are comprised of the following:

Accrued compensated absences- noncurrent portion	\$ 2,947
Accrued pension	44,476
	<u>\$ 47,423</u>

The following is a summary of changes in non-current liabilities for the year ended June 30, 2022:

	<u>Balance 06/30/21</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/22</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ 1,678	\$ 8,137	\$ (6,868)	\$ 2,947	\$ 7,815
Accrued pension	92,726	0	(48,250)	44,476	0
	<u>\$ 94,404</u>	<u>\$ 8,137</u>	<u>\$ (55,118)</u>	<u>\$ 47,423</u>	<u>\$ 7,815</u>

NOTE E: COMMITMENTS AND CONTINGENCIES

Commitments – Construction

At June 30, 2022, the Housing Authority had the following capital fund grants:

	<u>IN36E067501-20</u>	<u>IN36P067501-21</u>
Funds Approved	\$ 5,110	\$ 162,049
Funds Expended	(5,110)	(162,049)
Excess of Funds Approved	<u>\$ 0</u>	<u>\$ 0</u>
Funds Advanced (HUD Grants)	\$ 5,110	\$ 162,049
Funds Expended	(5,110)	(162,049)
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 participates in a cost-sharing multiple-employer Pension Plan, as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Indiana Employees' Retirement System (INPRS). INPRS and is based on Title 35 of IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). The Public Employees' Retirement Fund (PERF) Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees. INPRS reports are available online at <https://www.in.gov/inprs/publications/actuarial-valuation-reports/>.

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

Benefits Provided

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

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

NOTE G RETIREMENT PLAN (CONTINUED)

Contributions

Each member is required to contribute to a Defined Contribution Account at the rate of 3% of pay (unless the employer has opted to make the contribution for the employee). These contributions are kept on deposit and credited with interest based on the investment elections of each member until such time as they are withdrawn or annuitized by the member.

The Defined Contributions Account benefit is in addition to the annuity benefits provided by employer contributions. During FYE 2018 the Defined Contribution Accounts were completely separated from the defined benefit plan, and so are no longer relevant to the valuation process.

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

At June 30, 2021, the Housing Authority reported a liability of \$44,476 for its proportionate share of the net position liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net position liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Housing Authority's proportion of the net pension liability was based on the Housing Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2021, the Housing Authority's proportion was 0.0000338%.

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

For the year ended June 30, 2022, the Housing Authority recognized pension expense of \$(8,582):

At July 2021, the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,521	\$ 888
Net differences between projected and actual earnings on pension plan investments	0	57,748
Changes in assumptions	22,372	9,990
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,873	8,091
Total	\$ 31,766	\$ 76,717

NOTE G: RETIREMENT PLAN (CONTINUED)

Pension Expense/(Income)

Proportionate Share of Plan Pension Expense	\$	(3,840)
Specific Liabilities of Individual Employers		0
Net Amortization of Deferred Amounts from Changes in		(4,742)
Total	\$	<u>(8,582)</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended:	Amortization of net Deferred outflows (inflows) or resources
2022	\$ (14,143)
2023	(10,423)
2024	(3,878)
2025	(16,507)
2026	0
Thereafter	0
Total	\$ (44,951)

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2021
Economic Assumptions	
1. Investment return	6.25% per year, compounded annually
2. Inflation	2.00% per year
3. Salary increase	Wage inflation 2.65%, Merit 6.00%
4. Cost-of-living adjustment (COLA)	Members in pay were granted a 1.00% COLA Effective January 1, 2022 for the next biennium. Therefore, the following COLAs, compounded annually, were assumed:
	0.4% beginning on January 1, 2024
	0.5% beginning on January 1, 2034
	0.6% beginning on January 1, 2039
Mortality:	Pub-2010 Public Retirement Plans Mortality Tables (Amount Weighted) with a full Generational projection of mortality Improvements using SOA Scale MP-2019.

NOTE G: RETIREMENT PLAN (CONTINUED)

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

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

	1% Decrease to Discount Rate (5.25%)	Current Discount Rate (6.25%)	1% Increase To Discount Rate (7.25%)
Proportionate share of the net pension liability	<u>\$ 116,323</u>	<u>\$ 44,476</u>	<u>\$ (15,455)</u>

Payables to the Pension Plan

At June 30, 2022, the Housing Authority reported a payable of \$44,476 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

Net Pension Liability as of 2020	<u>\$ 92,726</u>
:	
Deferred Outflow/inflow of Resources:	
- Differences Between Expected and Actual Experience	235
- Net Difference Between Projected and Actual Investment	(65,684)
- Change in Assumptions	31,702
- Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	14,963
Pension Expense/Income	(8,582)
Contributions	<u>(20,884)</u>
Total Activity in FY 2021	<u>(48,250)</u>
Net Pension Liability as of 2021	<u>\$ 44,476</u>

*The pension information is not audited.

SUPPLEMENTARY INFORMATION

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

Independent Accountant’s Report on Applying Agreed-Upon Procedure

To the Board of Commissioners
Knox County Housing Authority

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

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

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

We were engaged to perform an audit in accordance with the audit requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, for the Knox County Housing Authority as of and for the year ended June 30, 2022, and have issued our reports thereon dated October 13, 2022. 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 October 13, 2022, 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

October 13, 2022

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, 2022**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor	Type	ALN	Expenditures
<u>U.S. Department of HUD</u>			
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers	A- Major	14.871	\$ 1,245,509
Public and Indian Housing:			
Public and Indian Housing	A –Major	14.850	199,619
Public Housing Capital Fund	B –Nonmajor	14.872	5,110
HCV CARES Act Funding	B- Nonmajor	14.HCC	23,270
Public Housing CARES Act Funding	B- Nonmajor	14.PHC	474
Total Federal Financial Awards			<u>\$ 1,473,982</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, 2022. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of the Uniform Guidance, Audit of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

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

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

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Knox County Housing Authority, Indiana, as of and for the year ended June 30, 2022, 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 October 13, 2022.

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

October 13, 2022

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

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

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

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, 2022. 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, 2022.

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

October 13, 2022

Knox County Housing Authority
Status of Prior Audit Findings
June 30, 2022

There were no prior year findings.

Knox County Housing Authority
Schedule of Findings and Questioned Costs
June 30, 2022

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
14.850	Public Housing Program

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.