# BOONE COUNTY ASSISTED HOUSING DEPARTMENT

## AUDITED FINANCIAL STATEMENTS
## AND SUPPLEMENTAL INFORMATION

## FOR THE YEAR ENDED JUNE 30, 2013

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT**
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## AUDITOR INFORMATION


**Auditor**

Sammy K. Lee, CPA

**Office Address**

208 Pauline Drive, Suite D
Berea, Kentucky 40403
(859) 986-3756

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED JUNE 30, 2013**

Boone County Assisted Housing Department (the Agency) is organized under the laws of the Commonwealth of Kentucky as a regional housing authority and administers housing assistance payment programs within a specified region within Kentucky. The Agency was created under the United States Housing Act of 1937 to serve low-income families with rental housing and housing assistance.

The Agency's FY 2013 annual financial report consists of two parts - the management's discussion and analysis and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information sent to the U.S. Department of Housing and Urban Development (HUD) related to our basic financial statements.

**Financial Highlights for Fiscal Year 2013**

**Assets:**
The current assets of the Agency decreased $336,651 (27.5%) in 2013. As encouraged by HUD, the Agency maintained leasing levels during the year supplementing HUD funding by using their restricted cash on hand.

**Liabilities:**
Total liabilities decreased from the prior year by $69,905 (32.9%). Escrow balances for participants in the Family Self-Sufficiency Program (FSS) decreased by $46,822 during the year which largely attributed to the decrease in liabilities.

**Revenues:**
Again this year HUD funded the Housing Choice Voucher Program at less than 100% eligibility which resulted in a decrease in Operating Grants revenue of $363,656 (6.1%). Reclassifying escrow balances of former FSS participants accounted was the primary increase in other revenue.

**Expenses:**
For the year, expenses were fairly comparative to the previous year, decreasing only $13,678. The Agency expended $5,901,947 during the current year compared to $5,915,625 the prior year. Housing Assistance Payments represent 88% of the expenditures for both years' and decreased $14,709 in 2013.

For accounting purposes, the Agency is classified as an enterprise fund. Enterprise funds account for activities similar to those in the private business sector where the determination of net income is needed or useful for sound financial administration. Enterprise funds are reported using the full accrual method of accounting where all assets and liabilities associated with the operation of the funds are included in the balance sheet. The focus of enterprise funds is on income measurement, which along with equity maintenance, is an important financial indicator.

**Overview of the financial statements**
The financial statements provide a broad view of the Agency's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Agency's financial position, which assists in assessing the Agency's economic condition at the end of the year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means they follow methods that are similar to those used by most businesses.

The Statement of Net Position presents all of the Agency's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the Agency's net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the Agency's net position change in the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Cash Flows discloses net cash provided or used by the Agency for operating activities, financing activities and investing activities. It provides answers as to where cash came from, what is it was used for and the change in cash balance from the prior year.

During the fiscal year 2013, the following programs make up the Agency's financial statements:

Section 8 Housing Choice Vouchers

The financial statements can be found immediately following the Independent Auditor's Report.

**Notes to the Financial Statements**
The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the Statement of Cash Flows.

**Required Supplementary Information**
The financial statements are followed by a section of supplementary information required by HUD. This section generally includes the Financial Data Schedule - Balance Sheet and Income Statement, as well as the Schedule of Eexpenditures of Federal Awards.

**Financial Analysis of the Agency Taken As a Whole**
Net position may serve over time as a useful indicator of the Agency's financial position as to whether the Agency is, as a whole, better off or worse off as a result of the reported fiscal year. The Management's Discussion and Analysis presents information that will inform the reader whether the Agency is better or worse off.

**Statement of Net Position**
The Statement of Net Position provides a summary of the Agency's assets, liabilities, and net position as of June 30, 2013. Total assets were $1,010,532 at year end, a decrease of $348,406. Total liabilities decreased by $69,905 and totaled $142,255 at year end. Net position at year end totaled $868,277 compared to prior year of $1,146,778 for a net decrease of $278,501.

**Assets:**
As of June 30, 2013, current assets totaled $87,366, all in cash and cash equivalents and accounts receivable.

Current assets decreased by $336,651 from the prior year.

**Liabilities:**
Current liabilities increased by $7,483 during the year due to an increase in deferred revenues.

Non-current liabilities decreased by $77,388, a combination of the surrender of FSS escrow balances and a reduction in tenant accounts receivable.

**Net position:**
Net position decreased by $278,501 during the year.

| | 2013 | 2012 | Change |
|---|---|---|---|
| Current assets | $ 887,366 | $ 1,224,017 | $ (336,651) |
| Capital assets | 123,166 | 134,921 | (11,755) |
| **Total Assets** | **1,010,532** | **1,358,938** | **(348,406)** |
| Current liabilities | 31,936 | 24,453 | 7,483 |
| Non-current liabilities | 110,319 | 187,707 | (77,388) |
| **Total Liabilities** | **142,255** | **212,160** | **(69,905)** |
| Invested in capital assets, net | 123,166 | 134,921 | (11,755) |
| Restricted net assets | 379,191 | 553,185 | (173,994) |
| Unrestricted net assets | 365,920 | 458,672 | (92,752) |
| **Total Net Position** | **868,277** | **1,146,778** | **(278,501)** |
| **Total Liabilities and Net Position** | **$ 1,010,532** | **$ 1,358,938** | **$ (348,406)** |

**Summary of Changes in Net position**

**Revenues**
The Agency's main revenue sources are from HUD PHA operating grants. During the year, the Agency received $5,541,921 from operating grants.

During the year, the Agency received $5,623,446 in total revenues which reflects a decrease from the prior year of $333,750.

Interest income decreased by $5,791 from prior year amounts.

Other income reflects income received from various other sources and tends to fluctuate from year to year.

**Expenses**
Total expenses during the year decreased from $5,915,625 in 2012 to $5,901,947 in 2013 for a net decrease of $13,678.

Housing assistance payments decreased $14,709. Administrative expenses increased by $6,871.

| | 2013 | 2012 | Change |
|---|---|---|---|
| **Revenues** | | | |
| Operating grants | $ 5,544,921 | $ 5,908,577 | $ (363,656) |
| Investment income | 1,458 | 7,249 | (5,791) |
| Other income | 77,067 | 41,370 | 35,697 |
| **Total Revenues** | **5,623,446** | **5,957,196** | **(333,750)** |
| **Expenses** | | | |
| Administration | 632,979 | 626,108 | 6,871 |
| Tenant services | 65,558 | 65,558 | - |
| Insurance Premiums | 7,166 | 9,127 | (1,961) |
| Housing assistance payments | 5,182,995 | 5,197,704 | (14,709) |
| Depreciation | 11,755 | 17,016 | (5,261) |
| Other general expenses | 1,494 | 112 | 1,382 |
| **Total Expenses** | **5,901,947** | **5,915,625** | **(13,678)** |
| **Change in Net Position** | **(278,501)** | **41,571** | **(320,072)** |
| **Net Position, Beginning of Year** | **1,146,778** | **1,105,207** | **41,571** |
| **Net Position, End of Year** | **$ 868,277** | **$ 1,146,778** | **$ (278,501)** |

**Capital Assets**
The Agency's capital assets as of June 30, 2013, amount to $310,720 net of accumulated depreciation of $187,554, leaving a net book value of $123,166. This investment in capital assets includes office equipment, vehicles, and renovations.

The Agency did not invest in capital assets for the current fiscal year. There were no actual expenditures to purchase or construct capital assets during the year. Depreciation charges for the year totaled $11,755. Additional information on the Agency's capital assets can be found in Note 1 and Note 4 of the Notes to the Financial Statements.

**Economic Factors**
The Agency is primarily dependent upon HUD to fund its operations and would be more affected by the federal budget than it would be affected by local economic conditions. The funding of the Agency's programs could be significantly affected by the 2012 and 2013 federal budget.

**Request for Information**
This financial report is designed to provide a general overview of Boone County Assisted Housing Department's finances. This financial report seeks to demonstrate the Agency's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

**Boone County Assisted Housing Department**
**P.O. Box 536**
**Burlington, Kentucky 41005**

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## INDEPENDENT AUDITOR'S REPORT

To the Director and Board of Commissioners
Boone County Assisted Housing Department
Burlington, Kentucky 41005

### Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Boone County Assisted Housing Department (hereinafter called the Agency) as of June 30, 2013 and the related notes to the financial statements, which collectively comprise the Agency'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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Agency as of June 30, 2013 and the changes in its net position and its cash flows 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 2 through 5 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by Government 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the financial data schedules, as shown on pages 17-21, is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as shown on page 22, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated March 17, 2014, on my consideration of the Agency's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Sammy K. Lee, P.S.C.

Berea, Kentucky
March 17, 2014

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT**
**STATEMENT OF NET POSITION**
**JUNE 30, 2013**

| | |
|---|---|
| **ASSETS** | |
| **Current Assets** | |
| Cash and cash equivalents | $ 426,600 |
| Cash and cash equivalents-restricted | 379,191 |
| Accounts receivable, net of allowance for doubtful accounts of $65,809 | 81,575 |
| **Total Current Assets** | **887,366** |
| **Non-Current Assets** | |
| Capital assets, net of accumulated depreciation of $187,554 | 123,166 |
| **Total Non-Current Assets** | **123,166** |
| **TOTAL ASSETS** | **$ 1,010,532** |
| **LIABILITIES AND NET POSITION** | |
| **Current Liabilities** | |
| Accounts payable | $ 408 |
| Accrued wages payable | 18,232 |
| Accrued compensated absences- short-term | 1,870 |
| Accounts payable-HUD programs | 3,011 |
| Deferred revenues | 8,415 |
| **Total Current Liabilities** | **31,936** |
| **Non-Current Liabilities** | |
| Non-current liabilities - other | 93,488 |
| Accrued compensated absences- long-term | 16,831 |
| **Total Non-Current Liabilities** | **110,319** |
| **TOTAL LIABILITIES** | **142,255** |
| **Net Position** | |
| Net invested in capital assets | 123,166 |
| Restricted net position | 379,191 |
| Unrestricted net position | 365,920 |
| **Total Net Position** | **868,277** |
| **TOTAL LIABILITIES AND NET POSITION** | **$ 1,010,532** |

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

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**FOR THE YEAR ENDED JUNE 30, 2013**

| | |
|---|---|
| **OPERATING REVENUES** | |
| Federal operating grants | $ 5,544,921 |
| Fraud recovery | 28,784 |
| Other income | 48,283 |
| **TOTAL OPERATING REVENUES** | **5,621,988** |
| **OPERATING EXPENSES** | |
| Administration | 632,979 |
| Tenant services | 65,558 |
| Insurance | 7,166 |
| Housing assistance payments | 5,182,995 |
| Depreciation | 11,755 |
| **TOTAL OPERATING EXPENSES** | **5,900,453** |
| **OPERATING LOSS** | **(278,465)** |
| **NON-OPERATING REVENUES** | |
| Interest income | 1,458 |
| **TOTAL NON-OPERATING REVENUES** | **1,458** |
| **CHANGE IN NET POSITION** | **(277,007)** |
| **NET POSITION AT BEGINNING OF YEAR, AS RESTATED** | **1,145,284** |
| **NET POSITION AT END OF YEAR** | **$ 868,277** |

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

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED JUNE 30, 2013**

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Cash received from operating grants | $ 5,557,093 |
| Cash received from other sources | 77,067 |
| Cash payments for suppliers for administration and tenant services | (437,252) |
| Cash payments to employees | (324,026) |
| Cash payments for housing assistance payments | (5,182,995) |
| **NET CASH USED BY OPERATING ACTIVITIES** | **(310,113)** |
| **CASH FLOWS FROM INVESTING ACTIVITES** | |
| Cash received from interest income | 1,458 |
| **NET CASH PROVIDED BY INVESTING ACTIVITES** | **1,458** |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(308,655)** |
| **BEGINNING CASH AND CASH EQUIVALENTS** | **1,114,446** |
| **ENDING CASH AND CASH EQUIVALENTS** | **$ 805,791** |

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES**

| | |
|---|---|
| **OPERATING LOSS** | **$ (278,465)** |
| Adjustment to reconcile operating loss to net cash used by operating activities: | |
| Depreciation | 11,755 |
| Prior period adjustment | (1,494) |
| (Increase) decrease in assets | |
| Accounts receivable | 27,996 |
| Increase (decrease) in liabilities | |
| Accounts payable | 842 |
| Accrued liabilities | (79,162) |
| Deferred liabilities | 8,415 |
| Total Adjustments | (31,648) |
| **NET CASH USED BY OPERATING ACTIVITIES** | **$ (310,113)** |

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Boone County Assisted Housing Department (the Agency) have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of significant accounting and reporting policies consistently applied in the preparation of the accompanying financial statements follows:

### Nature of Organization and Activities

The Boone County Assisted Housing Department, a non-profit organization, operates a Section 8 Housing Choice Vouchers Program under a contract with the U. S. Department of Housing and Urban Development. The program provides rental subsidies to eligible low-income families and individuals to assist in obtaining decent, safe, and sanitary housing. The Agency serves approximately 978 low-income families and is located in Burlington, Kentucky.

The Agency received approximately 99% of its revenues from HUD during the year. If the amount of revenues received from HUD fall below critical levels, the Agency's operating reserves could be adversely affected.

### Reporting Entity

The basis criterion for including an agency, institution, or other organization in a governmental unit's reporting entity is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. Oversight responsibility includes, but is not limited to: financial interdependency, selection of governing Agency, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Based on this criterion, the Boone County Assisted Housing Department is a component unit of the City of Burlington, Kentucky (oversight unit).

However, the City of Burlington, Kentucky (oversight unit) and the administration of the Agency (a component unit) have determined that a separate audit of the component's financial statements is beneficial to both the component unit and oversight unit. Accordingly, these financial statements cover only the Section 8 Housing Assistance Payments Program, and do not pertain to any other activities of the City of Burlington, Kentucky.

### Date of Management's Review

Subsequent events were evaluated through March 17, 2014, which is the date the financial statements were available to be issued.

### Basis of Accounting

In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

The Agency's financial statements are accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Agency applies all applicable GASB pronouncements as well as FASB Statements and Interpretations, APB Opinions, and ARB's issued after November 30, 1989, unless those pronouncements conflict with or contradicts GASB pronouncements.

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Financial Statement Presentation**
The financial statements of the Agency have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

Invested in capital assets, net of related debt – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Agency has no debt.

Restricted – Net assets whose use by the Agency is subject to externally imposed stipulations that can be fulfilled by actions of the Agency pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service. There were restricted assets as of June 30, 2013 totaling $379,191.

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

The Agency presents its financial statements using enterprise accounting, as allowed by governments. Although the Agency accounts for its programs using separate accounts for its internal reporting, the Agency is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Agency uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Agency accounts for all assets and liabilities. Under the accrual basis of accounting, expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

**Budgets**
Budgets are prepared on an annual basis for the Housing Choice Voucher Program and are used as a management tool throughout the accounting cycle. Budget compared to actual presentation is not presented because the Agency does not annually adopt a legally authorized budget. The Agency's budget is adopted by the Agency's board and approved by HUD. This budget does not represent a legally binding appropriated budget that has been signed into law or a non-appropriated budget authorized by constitution. The Agency's budget represents budgetary execution and management by its board and HUD; therefore, budgetary data and presentation is not required.

**Cash and Cash Equivalents**
Deposits consist of checking accounts and Certificates of Deposit and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Agency. For purposes of the Statement of Cash Flows, the Agency considers all highly liquid cash deposits and cash equivalents with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no noncash investing, capital, and financing activities during the year.

**Accounts Receivables**
Receivables are reported at net of an allowance for doubtful accounts. The Agency's board takes monthly action as required to write off specific uncollectible accounts receivable balances.

**Capital Assets**
Capital assets are stated at cost less accumulated depreciation computed on the straight-line basis over the estimated useful lives of the assets. Furniture and equipment are estimated to have useful lives of 5 years. When furniture or equipment is retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. The Agency's capitalization policy is $500. Major renewals and betterments are charged to the property accounts while maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred. When properties are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Income Taxes**
The Agency is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and therefore has made no provision for federal or state income taxes in the accompanying financial statements.

**Compensated Absences**
All full-time employees shall be entitled to vacation at the rate of 7 hours per month up to 20 hours per month depending on length of employment. Vacation days may be accrued up to 240 hours at the conclusion of the fiscal year. Up to 240 hours of accrued vacation and 25% of unused vacation time in excess of 240, may be compensated upon termination at the employees' current rate of pay. As of June 30, 2013, the current liability for accrued compensated absences was $,870. Changes in the long-term account can be found in note 5.

**Operating Revenues and Expenses**
Operating revenues and expenses generally result from providing and producing goods and/or services in connection with the Section 8 Housing Choice Vouchers Program. Operating expenses include administrative expenses, tenant services, housing assistance payments, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

**Restricted Assets**
When both restricted and unrestricted resources are available for use, it is the Agency's policy to use unrestricted resources first, and then restricted resources as they are needed. The U. S. Department of Housing and Urban Development (HUD) grants funds to the Agency that are restricted to housing assistance payments (rent and utility allowances) for eligible families. The Agency's policy is to charge all housing assistance payments to the restricted net assets as long as they are available.

**Family Self-Sufficiency Program**
The Agency administers self-sufficiency. The program is designed to help voucher families obtain employment that will lead to economic independence and self-sufficiency. Changes in the liability of the account can be found in note 5.

**Fraud Recovery**
The Agency attempts to recover tenant and owner fraud and abuse in the operation of the Section 8 housing assistance payments program. Changes in the liability of this account can be found in note 5.

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

## NOTE 2 – DEPOSITS, CASH, AND CASH EQUIVALENTS

At June 30, 2013, the carrying amount of the Agency's cash accounts, both restricted and unrestricted was $805,791 and the bank balance was $810,015. The bank balance was fully covered by FDIC insurance or by securities pledged at market. Cash, both restricted and unrestricted, at June 30, 2013 consisted of the following:

| | Amount |
|---|---|
| General | $ 805,791 |

**HUD Deposit Restrictions**
HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insure instruments.HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Agency or with an unaffiliated bank or trust company for the account of the Agency.

## NOTE 2 – DEPOSITS, CASH, AND CASH EQUIVALENTS - CONTINUED

**Interest Rate Risk**
As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency's investment policy limits the Agency's investment portfolio to maturities not to exceed two years at time of purchase. At June 30, 2013, the Agency's deposits and investment were not limited and all of which are either available on demand or have maturities of less than two years.

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

## NOTE 3 – ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable consist of amounts due from HUD, Fraud Recovery and FSS. As of June, 30, 2013, accounts receivable was $147,384 and the allowance for doubtful accounts totaled $65,809. Based on the consistency of the amounts with prior years and no significant change in the customer base or local economic conditions, in my opinion, the allowance at year end appears adequate for any potential losses.

## NOTE 4 – SUMMARY OF CHANGES IN CAPITAL ASSETS

| | Office Equipment | Renovation | Vehicles | Total |
|---|---|---|---|---|
| **Capital Assets** | | | | |
| Balance, June 30, 2012 | $ 154,891 | $ 137,417 | $ 18,412 | $ 310,720 |
| Increases | - | - | - | - |
| Decreases | - | - | - | - |
| Balance, June 30, 2013 | 154,891 | 137,417 | 18,412 | 310,720 |
| **Accumulated Depreciation** | | | | |
| Balance, June 30, 2012 | 139,638 | 17,749 | 18,412 | 175,799 |
| Increases | 8,320 | 3,435 | - | 11,755 |
| Decreases | - | - | - | - |
| Balance, June 30, 2013 | 147,958 | 21,184 | 18,412 | 187,554 |
| Capital Assets, Net | $ 6,933 | $ 116,233 | $ 0 | $ 123,166 |

## NOTE 5 – NONCURRENT LIABILTIES

A summary of changes in non-current liabilities consisted of the following:

| | 6/30/2012 | Additions | Deletions | 6/30/2013 |
|---|---|---|---|---|
| Accrued compensated absences | $ 23,156 | $ - | $ 6,325 | $ 16,831 |
| FSS Escrow | $ 58,736 | $ - | $ 46,823 | $ 11,913 |
| Fraud Recovery | $ 105,815 | $ - | $ 24,240 | $ 81,575 |

## NOTE 6 – RESTRICTED NET ASSETS

Excess budget authority disbursed to the Agency that is not utilized to pay Housing Assistance Payments (HAP) may only be used to assist additional families up to the number of units under contract. Restricted Net Assets also includes interest income on HAP investments and ½ of fraud recoveries.

## NOTE 7 – PENSION PLAN

The Agency participates in the County Employee Retirement System (CERS), a cost sharing, multiple employer defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems (KRS) as set forth under the provisions of Kentucky Revised Stature Section 61.645. CERS covers substantially all regular full-time members employed in each county and school board and any additional eligible local agencies electing to participate in the system. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments are provided at the discretion of the state legislature.

Plan members are required to contribute 5% of their annual creditable compensation. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statutes Section 61.655(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation. The Board may amend contribution rates if it is determined on the basis of subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The Authority contributed 19.55%, 18.96%, and 16.93% of each employee's creditable compensation for the years ended 2013, 2012, and 2011, respectively.

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Creditable compensation | 403,188 | 404,364 | 415,060 |
| Employer's contributions | 78,823 | 76,668 | 70,270 |
| Employee's contributions | 20,159 | 20,218 | 20,753 |

Financial statements for CERS are presented as standalone financial statements. A complete copy of the annual report may be obtained by writing or calling:

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601-6124
(502) 564-4646

## NOTE 8 – COMMITMENTS AND CONTINGENCIES

**Examinations**

The Agency is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Agency in the current and prior years. There were no examinations during the year ended June 30, 2013. Areas of non-compliance, if any, as a result of examinations would be included as a part of the Findings and Questioned Costs.

**Grant Disallowances**

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

## NOTE 10 – RISK MANAGEMENT

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

The Agency purchases insurance for general liability, and directors' and officers' liability. Settled claims resulting from these risks have not exceeded risk coverage in any of the past three fiscal years. Rights and responsibilities of the Agency and the Insurer are contained within the insurance contract.

## NOTE 11 – ECONOMIC DEPENDENCY

The Agency receives approximately 99% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Agency could be adversely affected.

## NOTE 12 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Agency's operations are concentrated in the multifamily real estate market and all tenants are located in Kentucky. In addition, the Agency operates in a heavily regulated environment. The operations of the Agency are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but are not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with change.

## NOTE 13 – EVALUATION OF SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through March 17, 2014, which is the date the financial statements were available to be issued.

## NOTE 14 – PRIOR PERIOD ADJUSTMENT

Prior period adjustments recorded in 2013, totaling $1,494 was made to correct prior year net assets. The Agency reclassified interest earned in January – June 2012 net restricted assets balance as account payable – HUD rather than increase in net restricted assets equity.

| | |
|---|---|
| **Beginning Balance** | **$1,146,778** |
| **Prior Period Adjustment** | **1,494** |
| **Beginning Balance as restated** | **$1,145,284** |

# Boone County Fiscal Court (KY135)
## Burlington, KY
### Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133 Fiscal Year End: 6/30/2013

| | 14.871 Housing Choice Vouchers | Subtotal | Total |
|---|---|---|---|
| 111 Cash - Unrestricted | $426,600 | $426,600 | $426,600 |
| 112 Cash - Restricted - Modernization and Development | | | |
| 113 Cash - Other Restricted | $379,191 | $379,191 | $379,191 |
| 114 Cash - Tenant Security Deposits | | | |
| 115 Cash - Restricted for Payment of Current Liabilities | | | |
| 100 Total Cash | $805,791 | $805,791 | $805,791 |
| 121 Accounts Receivable - PHA Projects | | | |
| 122 Accounts Receivable - HUD Other Projects | | | |
| 124 Accounts Receivable - Other Government | | | |
| 125 Accounts Receivable - Miscellaneous | | | |
| 126 Accounts Receivable - Tenants | | | |
| 126.1 Allowance for Doubtful Accounts -Tenants | | | |
| 126.2 Allowance for Doubtful Accounts - Other | | | |
| 127 Notes, Loans, & Mortgages Receivable - Current | | | |
| 128 Fraud Recovery | $147,384 | $147,384 | $147,384 |
| 128.1 Allowance for Doubtful Accounts - Fraud | -$65,809 | -$65,809 | -$65,809 |
| 129 Accrued Interest Receivable | | | |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | $81,575 | $81,575 | $81,575 |
| 131 Investments - Unrestricted | | | |
| 132 Investments - Restricted | | | |
| 135 Investments - Restricted for Payment of Current Liability | | | |
| 142 Prepaid Expenses and Other Assets | | | |
| 143 Inventories | | | |
| 143.1 Allowance for Obsolete Inventories | | | |
| 144 Inter Program Due From | | | |
| 145 Assets Held for Sale | | | |
| 150 Total Current Assets | $887,366 | $887,366 | $887,366 |
| 161 Land | | | |
| 162 Buildings | | | |
| 163 Furniture, Equipment & Machinery - Dwellings | | | |
| 164 Furniture, Equipment & Machinery - Administration | $173,303 | $173,303 | $173,303 |
| 165 Leasehold Improvements | $137,417 | $137,417 | $137,417 |
| 166 Accumulated Depreciation | -$187,554 | -$187,554 | -$187,554 |
| 167 Construction in Progress | | | |
| 168 Infrastructure | | | |
| 160 Total Capital Assets, Net of Accumulated Depreciation | $123,166 | $123,166 | $123,166 |
| 171 Notes, Loans and Mortgages Receivable - Non-Current | | | |
| 172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due | | | |
| 173 Grants Receivable - Non-Current | | | |
| 174 Other Assets | | | |
| 176 Investments in Joint Ventures | | | |
| 180 Total Non-Current Assets | $123,166 | $123,166 | $123,166 |
| 190 Total Assets | $1,010,532 | $1,010,532 | $1,010,532 |

# Boone County Fiscal Court (KY135)
## Burlington, KY
### Entity Wide Balance Sheet Summary

Submission Type: Unaudited/A-133 Fiscal Year End: 6/30/2013

| | 14.871 Housing Choice Vouchers | Subtotal | Total |
|---|---|---|---|
| 311 Bank Draft | | | |
| 312 Accounts Payable <= 90 Days | $408 | $408 | $408 |
| 313 Accounts Payable >90 Days Past Due | | | |
| 321 Accrued Wage/Payroll Taxes Payable | $18,232 | $18,232 | $18,232 |
| 322 Accrued Compensated Absences - Current Portion | $1,870 | $1,870 | $1,870 |
| 324 Accrued Contingency Liability | | | |
| 325 Accrued Interest Payable | | | |
| 331 Accounts Payable - HUD PHA Programs | $3,011 | $3,011 | $3,011 |
| 332 Account Payable - PHA Projects | | | |
| 333 Accounts Payable - Other Government | | | |
| 341 Tenant Security Deposits | | | |
| 342 Deferred Revenues | $8,415 | $8,415 | $8,415 |
| 343 Current Portion of Long-Term Debt - Capital Projects/Mortgage Revenue | | | |
| 344 Current Portion of Long-Term Debt - Operating Borrowings | | | |
| 345 Other Current Liabilities | | | |
| 346 Accrued Liabilities - Other | | | |
| 347 Inter Program - Due To | | | |
| 348 Loan Liability - Current | | | |
| 310 Total Current Liabilities | $31,936 | $31,936 | $31,936 |
| 351 Long-Term Debt, Net of Current - Capital Projects/Mortgage Revenue | | | |
| 352 Long-Term Debt, Net of Current - Operating Borrowings | | | |
| 353 Non-Current Liabilities - Other | $93,488 | $93,488 | $93,488 |
| 354 Accrued Compensated Absences - Non-Current | $16,831 | $16,831 | $16,831 |
| 355 Loan Liability - Non-Current | | | |
| 356 FASB 5 Liabilities | | | |
| 357 Accrued Pension and OPEB Liabilities | | | |
| 350 Total Non-Current Liabilities | $110,319 | $110,319 | $110,319 |
| 300 Total Liabilities | $142,255 | $142,255 | $142,255 |
| | | | |
| 508.1 Invested In Capital Assets, Net of Related Debt | $123,166 | $123,166 | $123,166 |
| 511.1 Restricted Net Assets | $379,191 | $379,191 | $379,191 |
| 512.1 Unrestricted Net Assets | $365,920 | $365,920 | $365,920 |
| 513 Total Equity/Net Assets | $868,277 | $868,277 | $868,277 |
| | | | |
| 600 Total Liabilities and Equity/Net Assets | $1,010,532 | $1,010,532 | $1,010,532 |

# Boone County Fiscal Court (KY135)
## Burlington, KY
### Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 6/30/2013

| | 14.871 Housing Choice Vouchers | Subtotal | Total |
|---|---|---|---|
| 70300 Net Tenant Rental Revenue | | | |
| 70400 Tenant Revenue - Other | | | |
| 70500 Total Tenant Revenue | $0 | $0 | $0 |
| 70600 HUD PHA Operating Grants | $5,544,921 | $5,544,921 | $5,544,921 |
| 70610 Capital Grants | | | |
| 70710 Management Fee | | | |
| 70720 Asset Management Fee | | | |
| 70730 Book Keeping Fee | | | |
| 70740 Front Line Service Fee | | | |
| 70750 Other Fees | | | |
| 70700 Total Fee Revenue | | | |
| 70800 Other Government Grants | | | |
| 71100 Investment Income - Unrestricted | $1,458 | $1,458 | $1,458 |
| 71200 Mortgage Interest Income | | | |
| 71300 Proceeds from Disposition of Assets Held for Sale | | | |
| 71310 Cost of Sale of Assets | | | |
| 71400 Fraud Recovery | $28,784 | $28,784 | $28,784 |
| 71500 Other Revenue | $48,283 | $48,283 | $48,283 |
| 71600 Gain or Loss on Sale of Capital Assets | | | |
| 72000 Investment Income - Restricted | | | |
| 70000 Total Revenue | $5,623,446 | $5,623,446 | $5,623,446 |
| 91100 Administrative Salaries | $360,575 | $360,575 | $360,575 |
| 91200 Auditing Fees | $5,600 | $5,600 | $5,600 |
| 91300 Management Fee | | | |
| 91310 Book-keeping Fee | $6,000 | $6,000 | $6,000 |
| 91400 Advertising and Marketing | $22 | $22 | $22 |
| 91500 Employee Benefit contributions - Administrative | $172,652 | $172,652 | $172,652 |
| 91600 Office Expenses | $81,625 | $81,625 | $81,625 |
| 91700 Legal Expense | | | |
| 91800 Travel | $6,505 | $6,505 | $6,505 |
| 91810 Allocated Overhead | | | |
| 91900 Other | | | |
| 91000 Total Operating - Administrative | $632,979 | $632,979 | $632,979 |
| 92000 Asset Management Fee | | | |
| 92100 Tenant Services - Salaries | $42,613 | $42,613 | $42,613 |
| 92200 Relocation Costs | | | |
| 92300 Employee Benefit Contributions - Tenant Services | $22,945 | $22,945 | $22,945 |
| 92400 Tenant Services - Other | | | |
| 92500 Total Tenant Services | $65,558 | $65,558 | $65,558 |

Boone County Fiscal Court (KY135)
Burlington, KY
**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133 Fiscal Year End: 6/30/2013

| | 143.871 Housing Choice Vouchers | Subtotal | Total |
|---|---|---|---|
| 93100 Water | | | |
| 93200 Electricity | | | |
| 93300 Gas | | | |
| 93400 Fuel | | | |
| 93500 Labor | | | |
| 93600 Sewer | | | |
| 93700 Employee Benefit Contributions - Utilities | | | |
| 93800 Other Utilities Expense | | | |
| 93000 Total Utilities | $0 | $0 | $0 |
| 94100 Ordinary Maintenance and Operations - Labor | | | |
| 94200 Ordinary Maintenance and Operations - Materials and Other | | | |
| 94300 Ordinary Maintenance and Operations Contracts | | | |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | | | |
| 94000 Total Maintenance | $0 | $0 | $0 |
| 95100 Protective Services - Labor | | | |
| 95200 Protective Services - Other Contract Costs | | | |
| 95300 Protective Services - Other | | | |
| 95500 Employee Benefit Contributions - Protective Services | | | |
| 95000 Total Protective Services | $0 | $0 | $0 |
| 96110 Property Insurance | | | |
| 96120 Liability Insurance | | | |
| 96130 Workmen's Compensation | $7,166 | $7,166 | $7,166 |
| 96140 All Other Insurance | | | |
| 96100 Total insurance Premiums | $7,166 | $7,166 | $7,166 |
| 96200 Other General Expenses | | | |
| 96210 Compensated Absences | | | |
| 96300 Payments in Lieu of Taxes | | | |
| 96400 Bad debt - Tenant Rents | | | |
| 96500 Bad debt - Mortgages | | | |
| 96600 Bad debt - Other | | | |
| 96800 Severance Expense | | | |
| 96000 Total Other General Expenses | $0 | $0 | $0 |
| 96710 Interest of Mortgage (or Bonds) Payable | | | |
| 96720 Interest on Notes Payable (Short and Long Term) | | | |
| 96730 Amortization of Bond Issue Costs | | | |
| 96700 Total Interest Expense and Amortization Cost | $0 | $0 | $0 |
| 96900 Total Operating Expenses | $705,703 | $705,703 | $705,703 |
| 97000 Excess of Operating Revenue over Operating Expenses | $4,917,743 | $4,917,743 | $4,917,743 |

# Boone County Fiscal Court (KY135)
## Burlington, KY
### Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 6/30/2013

| | 14.871 Housing Choice Vouchers | Subtotal | Total |
|---|---|---|---|
| 97100 Extraordinary Maintenance | | | |
| 97200 Casualty Losses - Non-capitalized | | | |
| 97300 Housing Assistance Payments | $5,182,995 | $5,182,995 | $5,182,995 |
| 97350 HAP Portability-In | | | |
| 97400 Depreciation Expense | $11,755 | $11,755 | $11,755 |
| 97500 Fraud Losses | | | |
| 97600 Capital Outlays - Governmental Funds | | | |
| 97700 Debt Principal Payment - Governmental Funds | | | |
| 97800 Dwelling Units Rent Expense | | | |
| 90000 Total Expenses | $5,900,453 | $5,900,453 | $5,900,453 |
| 10010 Operating Transfer In | | | |
| 10020 Operating transfer Out | | | |
| 10030 Operating Transfers from/to Primary Government | | | |
| 10040 Operating Transfers from/to Component Unit | | | |
| 10050 Proceeds from Notes, Loans and Bonds | | | |
| 10060 Proceeds from Property Sales | | | |
| 10070 Extraordinary Items, Net Gain/Loss | | | |
| 10080 Special Items (Net Gain/Loss) | | | |
| 10091 Inter Project Excess Cash Transfer In | | | |
| 10092 Inter Project Excess Cash Transfer Out | | | |
| 10093 Transfers between Program and Project - In | | | |
| 10094 Transfers between Project and Program - Out | | | |
| 10100 Total Other financing Sources (Uses) | $0 | $0 | $0 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | -$277,007 | -$277,007 | -$277,007 |
| 11020 Required Annual Debt Principal Payments | $0 | $0 | $0 |
| 11030 Beginning Equity | $1,146,778 | $1,146,778 | $1,146,778 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | -$1,494 | -$1,494 | -$1,494 |
| 11050 Changes in Compensated Absence Balance | | | |
| 11060 Changes in Contingent Liability Balance | | | |
| 11070 Changes in Unrecognized Pension Transition Liability | | | |
| 11080 Changes in Special Term/Severance Benefits Liability | | | |
| 11090 Changes in Allowance for Doubtful Accounts - Dwelling | | | |
| 11100 Changes in Allowance for Doubtful Accounts - Other | | | |
| 11170 Administrative Fee Equity | $489,086 | $489,086 | $489,086 |
| 11180 Housing Assistance Payments Equity | $379,191 | $379,191 | $379,191 |
| 11190 Unit Months Available | 11976 | 11976 | 11976 |
| 11210 Number of Unit Months Leased | 11491 | 11491 | 11491 |
| 11270 Excess Cash | | | |
| 11610 Land Purchases | | | |
| 11620 Building Purchases | | | |
| 11630 Furniture & Equipment - Dwelling Purchases | | | |
| 11640 Furniture & Equipment - Administrative Purchases | | | |
| 11650 Leasehold Improvements Purchases | | | |
| 11660 Infrastructure Purchases | | | |
| 13510 CFFP Debt Service Payments | | | |

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2013**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Expenditures |
|---|---|---|
| **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | |
| PHA Direct Program: | | |
| Housing Choice Voucher | 14.871 | $ 5,544,921 |
| Total | | $ 5,544,921 |

See accompanying notes to the schedule of expenditures of federal awards.

## NOTE A—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Boone County Assisted Housing Department and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

## NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT**
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
**FOR THE YEAR ENDED JUNE 30, 2013**

The audit report for the year ended June 30, 2012, contained no audit findings related to the federal awards program.

*SAMMY K. LEE, P.S.C.*
*Certified Public Accountant*

*208 Pauline Drive, Suite D*
*Berea, Kentucky 40403*
*(859) 986-3756*

*Member of American Institute of CPA's* *Member of Kentucky Society of CPA's*

## 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 Director and Board of Commissioners
Boone County Assisted Housing Department
Burlington, Kentucky 41005

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Agency, as of June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued my report thereon dated March 17, 2014.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Agency's internal control. Accordingly, I do not express an opinion on the effectiveness the Agency'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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### Compliance and Other Matters

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sammy K. Lee, P.S.C.

Berea, Kentucky
March 17, 2014

*SAMMY K. LEE, P.S.C.*
*Certified Public Accountant*

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*Berea, KY 40403*
*(859) 986-3756*

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Director and Board of Commissioners
Boone County Assisted Housing Department
Burlington, Kentucky 41005

### Report on Compliance for Each Major Federal Program

I have audited the Agency's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Agency's major federal programs for the year ended June 30, 2013. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Agency's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Agency's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

### Opinion on Each Major Federal Program

In my opinion, the Agency 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, 2013.

### Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Agency'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Agency'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, non-compliance 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 non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sammy K. Lee, P.S.C.

Berea, Kentucky
March 17, 2014

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED JUNE 30, 2013**

## Section I - Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Boone County Assisted Housing Department.

2. The results of my audit procedures did not identify any material weaknesses in internal control over financial reporting for the fiscal year ended June 30, 2013.

3. No instances of noncompliance material to the financial statements of Boone County Assisted Housing Department were disclosed during the audit.

4. The results of my audit procedures disclosed no material weaknesses in internal control over major programs for the fiscal year ended June 30, 2013.

5. The auditor issues an unqualified opinion on compliance for major programs for the fiscal year ended June 30, 2013.

6. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this schedule.

7. The programs tested as major programs included:

| Programs | C.F.D.A./ Agency Number |
|---|---|
| Housing Choice Voucher | 14.871 |

8. The threshold for distinguishing Types A and B programs was $300,000.

9. The Boone County Assisted Housing Department was determined to be a low-risk auditee.

## Section II - Financial Statement Findings

None

## Section III - Federal Award Findings and Questioned Costs

None

*SAMMY K. LEE, P.S.C.*
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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURE

To the Director and Board of Commissioners
Boone County Assisted Housing Department
Burlington, Kentucky 41005

I have performed the procedure described in the second paragraph of this report, which was agreed to by the Agency and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Circular A-133 reporting package. The Agency is responsible for accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with the 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. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, I 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.

I 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 results of performance of my agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

I was engaged to perform an audit of the financial statements of the Agency as of and for the year ended June 30, 2013, and have issued my reports thereon dated March 17, 2014. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, my opinion on the fair presentation of the supplemental financial data templates dated March 17, 2014, was expressed in relation to the basic financial statements of the Agency taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditor's report, is available in its entirety from the Agency. I have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, I take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of the Agency and the U.S. Department of Housing and Urban Development, PIH-REAC and is not intended to be and should not be used by anyone other than these specified parties.

Sammy K. Lee, P.S.C.

Berea, Kentucky
March 17, 2014

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT**
**ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGRRED UPON PROCEDURES**
**JUNE 30, 2013**

| PROCEDURE | UFRS RULE INFORMATION | HARD COPY DOCUMENTS | AGREES |
|---|---|---|---|
| 1 | Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position, & Cash Flow | Supplemental Schedules with Financial Statement Data | X |
| 2 | Footnotes | Notes to the Financial Statements | X |
| 3 | Type of Opinion on the Financial Statements and Auditor Reports | Auditor's Reports on the Financial Statements, Compliance, and Internal Control | X |
| 4 | Type of Opinion on Supplemental Data | Auditor's Reports on Supplemental Data | X |
| 5 | Audit Findings Narrative | Schedule of Findings and Questioned Costs | X |
| 6 | General Information | Schedule of Findings and Questioned Costs and OMB Data Collection Form | X |

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March 17, 2014

The Director and Board of Directors
P.O. Box 536
Burlington, Kentucky 41005

I have audited the financial statements of the Boone County Assisted Housing Department the year ended June 30, 2013. Professional standards require that provide you with information about my responsibilities under generally accepted auditing standards, *Government Auditing Standards,* and the *OMB Circular A-133,* as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated March 17, 2014. Professional standards also require that I communicate to you the following information related to my audit.

For your convenience, I have mailed you a copy of the audit report to the Agency.

**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 Boone County Assisted Housing Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Entity 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. The most sensitive estimate(s) affecting the financial statements was:

> Management's estimate of the allowance for doubtful accounts is based on historical loss levels, and/or an analysis of the collectability of individual accounts. I evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

***Difficulties Encountered in Performing the Audit***

I encountered no significant difficulties in dealing with management in performing and completing my audit.

***Corrected and Uncorrected Misstatements***

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.