

BOONE COUNTY ASSISTED HOUSING DEPARTMENT

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2015

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>PAGE</u>
LEAD AUDITOR INFORMATION	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-16
SUPPLEMENTARY INFORMATION	
Financial Data Schedules	17-18
Schedule of Expenditures of Federal Awards	19
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	20-21
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	22-23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	24
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE	25
ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE	26

AUDITOR INFORMATION

Auditor

Sammy K. Lee, CPA

Office Address

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

SAMMY K. LEE, P.S.C.

Certified Public Accountant

208 Pauline Drive, Suite D

Berea, Kentucky 40403

(859) 986-3756

(859) 986-0103

Member of American Institute of CPA's

Member of Kentucky Society of CPA's

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 Boone County Assisted Housing Department (hereinafter "the Agency") a component unit of the Boone County Fiscal Court as of and for the year ended June 30, 2015, 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 respective financial position of the business-type activities of the Agency, as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-7 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. 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.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The financial data schedules as shown on pages 17-18, are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The schedule of expenditures of federal awards as shown on page 19, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 28, 2016, 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 28, 2016

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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 2015 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 2015

Assets:

Total assets of the Agency decreased \$77,007 (10.5%) in 2015. The Agency increased leasing levels during the year supplementing HUD funding by using their restricted cash on hand.

Liabilities:

Total liabilities decreased from the prior year by \$11,970 (10%). Tenant balances in fraud recovery efforts decreased \$23,170 and tenant escrow balances increased \$15,045 which attributed to the change in liabilities.

Revenues:

Operating Grants revenue increased \$78,527 (1.5%) which accounted for the increase in revenues during the fiscal year.

Expenses:

For the year, total expenses decreased \$114,885 (2%). The Agency expended \$5,598,193 during the current year compared to \$5,713,078 the prior year. Housing Assistance Payments represent 89.7% of the expenditures for both years and decreased \$50,698 in 2015. Overall administration expenses decreased \$61,010. This decrease is primarily attributable to staff reduction through retirement.

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 it was used for and the change in cash balance from the prior year.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

During the fiscal year 2015, 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.

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 Expenditures 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, 2015. Total assets were \$651,998 at year end, a decrease of \$77,077. Total liabilities decreased by \$11,970 and totaled \$107,279 at year end. Net position at year end totaled \$544,719 compared to prior year of \$609,756 for a net decrease of \$65,037.

Assets:

As of June 30, 2015, current assets totaled \$542,634 all in cash and cash equivalents and accounts receivable.

Current assets decreased by \$73,571 from the prior year.

Liabilities:

Current liabilities increased by \$31,911.

Non-current liabilities decreased by \$43,811, a combination of the increase of FSS escrow balances and a reduction in accrued liabilities.

Net position:

Net position decreased by \$65,037 during the year.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Current assets	\$ 542,634	\$ 616,205	\$ (73,571)
Capital assets	109,364	112,800	(3,436)
Total Assets	<u>651,998</u>	<u>729,005</u>	<u>(77,007)</u>
Current liabilities	54,571	22,660	31,911
Non-current liabilities	52,708	96,589	(43,881)
Total Liabilities	<u>107,279</u>	<u>119,249</u>	<u>(11,970)</u>
Invested in capital assets, net	109,364	112,800	(3,436)
Restricted net assets	26,380	164,063	(137,683)
Unrestricted net assets	408,975	332,893	76,082
Total Net Position	<u>544,719</u>	<u>609,756</u>	<u>(65,037)</u>
Total Liabilities and Net Position	<u>\$ 651,998</u>	<u>\$ 729,005</u>	<u>\$ (77,007)</u>

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 \$5,501,291 from operating grants.

During the year, the Agency received \$5,533,156 in total revenues which reflects a decrease from the prior year of \$78,599.

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 \$5,713,078 in 2014 to \$5,598,193 in 2015 for a net decrease of \$114,885.

Housing assistance payments decreased \$50,698. Administrative expenses decreased by \$61,010.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Revenues			
Operating grants	\$ 5,501,291	\$ 5,422,764	\$ 78,527
Investment income	1,534	1,795	(261)
Other income	30,331	29,998	333
Total Revenues	<u>5,533,156</u>	<u>5,454,557</u>	<u>78,599</u>
Expenses			
Administration	499,909	560,919	(61,010)
Tenant services	64,733	65,006	(273)
Insurance Premiums	7,355	3,328	4,027
Housing assistance payments	5,022,761	5,073,459	(50,698)
Depreciation	3,435	10,366	(6,931)
Total Expenses	<u>5,598,193</u>	<u>5,713,078</u>	<u>(114,885)</u>
Change in Net Position	<u>(65,037)</u>	<u>(258,521)</u>	<u>193,484</u>
Net Position, Beginning of Year	<u>609,756</u>	<u>868,277</u>	<u>(258,521)</u>
Net Position, End of Year	<u>\$ 544,719</u>	<u>\$ 609,756</u>	<u>\$ (65,037)</u>

Capital Assets

The Agency's capital assets as of June 30, 2015, amount to \$310,719 net of accumulated depreciation of \$201,355, leaving a net book value of \$109,364. 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 \$3,435. 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 2014 and 2015 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**

BOONE COUNTY ASSISTED HOUSING DEPARTMENT
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$ 416,243
Cash and cash equivalents-restricted	65,235
Accounts receivable, net of allowance for doubtful accounts of \$56,552	61,156
Total Current Assets	<u>542,634</u>

Non-Current Assets

Capital assets, net of accumulated depreciation of \$201,355	109,364
Total Non-Current Assets	<u>109,364</u>

TOTAL ASSETS	<u>\$ 651,998</u>
---------------------	--------------------------

LIABILITIES AND NET POSITION

Current Liabilities

Accrued wages payable	\$ 18,044
Accrued compensated absences	1,539
Fraud recovery payable	34,988
Total Current Liabilities	<u>54,571</u>

Non-Current Liabilities

FSS Escrow	38,855
Accrued compensated absences	13,853
Total Non-Current Liabilities	<u>52,708</u>

TOTAL LIABILITIES	<u>107,279</u>
--------------------------	-----------------------

Net Position

Net invested in capital assets	109,364
Restricted net position	26,380
Unrestricted net position	408,975
Total Net Position	<u>544,719</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 651,998</u>
---	--------------------------

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

OPERATING REVENUES

Federal operating grants	\$ 5,501,291
Fraud recovery	25,808
Other income	4,523
	<hr/>

TOTAL OPERATING REVENUES

5,531,622

OPERATING EXPENSES

Administration	499,909
Tenant services	64,733
Insurance	7,355
Housing assistance payments	5,022,761
Depreciation	3,435
	<hr/>

TOTAL OPERATING EXPENSES

5,598,193

OPERATING LOSS

(66,571)

NON-OPERATING REVENUES

Interest income	1,534
	<hr/>

TOTAL NON-OPERATING REVENUES

1,534

CHANGE IN NET POSITION

(65,037)

NET POSITION AT BEGINNING OF YEAR

609,756

NET POSITION AT END OF YEAR

\$ 544,719

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, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operating grants	\$ 5,488,379
Cash received from other sources	40,854
Cash payments for suppliers for administration and tenant services	(250,767)
Cash payments to employees	(322,761)
Cash payments for housing assistance payments	<u>(5,022,761)</u>

NET CASH USED BY OPERATING ACTIVITIES (67,056)

CASH FLOWS FROM INVESTING ACTIVITIES

Cash received from interest income	<u>1,534</u>
------------------------------------	--------------

NET CASH PROVIDED BY INVESTING ACTIVITIES 1,534

NET DECREASE IN CASH AND CASH EQUIVALENTS (65,522)

BEGINNING CASH AND CASH EQUIVALENTS 547,000

ENDING CASH AND CASH EQUIVALENTS ⁽¹⁾ \$ 481,478

⁽¹⁾ Cash and cash equivalents are reflected in the Statement of Net Position as follows:

Cash and cash equivalents	416,243
Restricted cash and cash equivalents	65,235
Subtotal	<u><u>\$ 481,478</u></u>

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

OPERATING LOSS \$ (66,571)

Adjustment to reconcile operating loss to net cash used by operating activities:

Depreciation	3,435
Accounts receivable	6,702
Increase (decrease) in liabilities	
Accounts payable	(3,172)
Accrued liabilities	674
Fraud recovery payable	(23,170)
FSS Escrow	<u>15,046</u>
Total Adjustments	<u><u>(485)</u></u>

NET CASH USED BY OPERATING ACTIVITIES \$ (67,056)

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

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 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.

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 Boone County Fiscal Court.

However, the Boone County Fiscal Court (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 Boone County Fiscal Court.

Measurement Focus and Basis of Accounting

In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applicable to special purpose governments engaged only in business-type activities.

For financial reporting purposes, the Agency reports its operations on an enterprise fund basis. Enterprise funds (a proprietary fund type) are accounted for on a flow of economic resources measurement focus. This measurement focus provides that all assets and liabilities associated with operations are included on the Statement of Net Position.

The accrual basis of accounting is utilized by the Agency for financial reporting. Under the accrual basis of accounting, income is recorded when earned and expenses are recorded at the time liabilities are incurred. The Statements of Revenues, Expenses, and Changes in Net Position present increases (income) and decreases (expenses) in Agency's net position.

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 position categories:

Net investment in capital assets – Consists of capital assets reduced by accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted – Consists of resources 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.

Unrestricted – Consists of resources that is not subject to externally imposed stipulations. Unrestricted resources may be designated for specific purposes by action of management or the Agency's Board or may otherwise be limited by contractual agreements with outside parties.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Cash and cash equivalents consist of checking accounts. 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 non-cash investing, capital, and financing activities during the year.

Accounts Receivable

Accounts receivables consists of amounts due from HUD, other sources, and fraud recovery receivables. Fraud recovery receivables consists of amounts due from landlords and tenants that participate in the Section 8 program and are reported at net of an allowance for doubtful accounts. Fraud recovery receivables 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.

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.

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, 2015, the current liability for accrued compensated absences was \$1,539. Changes in the long-term account can be found in note 5.

Net Pension Liability

The Agency implemented GASB No. 68 for the fiscal year ending June 30, 2015. The Agency participates in a cost-sharing multiple employer plan to provide pension benefits to employees. Each cost-sharing government reports its proportionate share of the cumulative net pension liability. For the purposes of measuring the net pension liability, deferred outflows or inflows of resources related to pension, and pension expense, information about the fiduciary net positions of the Kentucky "County Employer Retirement System" (CERS), have been determined by the same basis as they are reported by CERS.

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.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted Net Position

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 a family self-sufficiency program. The program is designed to help participating families in obtaining 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 Payable

Fraud recovery payable is the amount owed to HUD from the recovery of tenant and landlord abuse. One half of collections is paid back to HUD. 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 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, both restricted and unrestricted consists of the following at June 30, 2015:

<u>Description</u>	<u>Amount</u>
General accounts	481,478
Total	\$ 481,478

Custodial Credit Risk is the risk that the Agency's deposits may not be returned in the event of depository institution failure. The Agency is required to maintain its deposits with a depository institution insured by Federal Deposit Insurance Corporation (FDIC) or by securities pledged at market in the Agency's name. Deposits at the bank are insured by the FDIC insurance of \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). At June 30, 2015, the carrying amount of the Agency's deposits were \$481,478 and the bank balances were \$484,449. The bank balances were covered by FDIC insurance and securities pledged at market in the Agency's name in the amounts of \$234,449.

Restricted HUD Deposits consist of a checking account held by the Agency in conjunction with the Section 8 Housing Choice Voucher Program. Use of the account is restricted to only those expenses derived from this program.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3 – ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable as of year-end, including applicable allowances for doubtful accounts are as follows:

HUD	\$ 23,961
Accounts receivable-other	2,207
Fraud recovery	<u>91,540</u>
Gross receivables	117,708
Less allowance for doubtful accounts	<u>(56,552)</u>
Net total receivables	<u>\$ 61,156</u>

NOTE 4 – SUMMARY OF CHANGES IN CAPITAL ASSETS

	Beginning Balance 6/30/2014	Increases	Decreases	Ending Balance 6/30/2015
Capital assets, being depreciated:				
Leasehold improvements	\$ 137,417	\$ -	\$ -	\$ 137,417
Furniture and equipment	<u>173,302</u>	<u>-</u>	<u>-</u>	<u>173,302</u>
Total capital assets, being depreciated:	<u>310,719</u>	<u>-</u>	<u>-</u>	<u>310,719</u>
Less accumulated depreciation for:				
Leasehold improvements	24,618	3,435	-	28,053
Furniture and equipment	<u>173,302</u>	<u>-</u>	<u>-</u>	<u>173,302</u>
Total accumulated depreciation	<u>197,920</u>	<u>3,435</u>	<u>-</u>	<u>201,355</u>
Total capital assets, being depreciated, net	<u>112,799</u>			<u>109,364</u>
Capital assets, net	<u>\$ 112,799</u>			<u>\$ 109,364</u>

Depreciation expense of \$3,435 was incurred during the year.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5 – NONCURRENT LIABILITIES

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

	<u>6/30/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2015</u>
Accrued compensated absences	<u>\$ 14,622</u>	<u>\$ 27,732</u>	<u>\$ 28,501</u>	<u>\$ 13,853</u>
FSS Escrow	<u>\$ 23,809</u>	<u>\$ 24,748</u>	<u>\$ 9,702</u>	<u>\$ 38,855</u>
Fraud recovery	<u>\$ 58,158</u>	<u>\$ -</u>	<u>\$ 23,170</u>	<u>\$ 34,988</u>

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 is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, library, 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 (COLA) are provided at the discretion of state legislature.

Contributions – Plan members were required to contribute 5/6% of their annual creditable compensation. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined, on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2015, participating employers contributed 17.67% (non-hazardous) and 34.31% (hazardous) of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each members' salary. Each month, when employer contribution are received, an employer pay credit is deposited to the members account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the fiscal year ended June 30, 2015 the Agency's covered payroll for non-hazardous positions was \$296,975. There are no employees subject to the hazardous job classification contribution requirements.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 – PENSION PLAN- CONTINUED

The Agency's contribution for the fiscal year ended June 30, 2015 amounted to \$70,947, of which \$56,099 was contributed by the Agency and \$14,849 by the Agency's employees.

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

At June 30, 2015, the Agency did not report a liability for its proportionate share of the net pension liability, nor deferred outflows of resources and deferred inflows of resources as related to pensions. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability, deferred outflows of resources and deferred inflows of resources as related to pensions are included in the Boone County Fiscal Court's allocation.

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, 2015. 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 9 – 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 10 – 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 11 – 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 12 – EVALUATION OF SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through March 28, 2016, which is the date the financial statements were available to be issued.

BOONE COUNTY ASSISTED HOUSING DEPARTMENT
FINANCIAL DATA SCHEDULES
JUNE 30, 2015

FDS #	Housing Choice Vouchers	Family Self- Sufficiency Program	Elimination	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
111 Cash - unrestricted	\$ 416,243	\$ -	\$ -	\$416,243
113 Cash - other restricted	65,235	-	-	65,235
100 Total Cash	481,478	-	-	481,478
121 Accounts receivable- PHA projects	23,961	-	-	23,961
124 Accounts receivable- other government	2,207	-	-	2,207
128 Fraud recovery	91,540	-	-	91,540
128.1 Allowance for doubtful accounts - recovery	(56,552)	-	-	(56,552)
120 Total Receivables, net	61,156	-	-	61,156
150 Total Current Assets	542,634	-	-	542,634
Capital Assets				
164 Furniture, equip & machinery - administration	173,302	-	-	173,302
165 Leasehold improvements	137,417	-	-	137,417
166 Accumulated depreciation	(201,355)	-	-	(201,355)
160 Total Capital Assets, net	109,364	-	-	109,364
180 Total Non-Current Assets, net	109,364	-	-	109,364
290 TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 651,998	\$ -	\$ -	\$651,998
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET EQUITY				
Current Liabilities				
321 Accrued wage/payroll taxes payable	18,044	-	-	18,044
322 Accrued compensated absences - current portion	1,539	-	-	1,539
345 Other current liabilities	34,988	-	-	34,988
310 Total Current Liabilities	54,571	-	-	54,571
Non-Current Liabilities				
353 Non-current liabilities-other	38,855	-	-	38,855
354 Accrued compensated absences - non current	13,853	-	-	13,853
350 Total Non-Current Liabilities	52,708	-	-	52,708
300 Total Liabilities	107,279	-	-	107,279
Net Position				
508.4 Net investments in capital assets	109,364	-	-	109,364
511.4 Restricted	26,380	-	-	26,380
512.4 Unrestricted	408,975	-	-	408,975
513 Total Net Position	544,719	-	-	544,719
600 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET EQUITY	\$ 651,998	\$ -	\$ -	\$651,998

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
FINANCIAL DATA SCHEDULES-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

FDS #		Housing Choice Vouchers	Family Self- Sufficiency Program	Elimination	Total
REVENUE					
706	HUD PHA operating grants	\$5,468,785	\$ 32,506	\$ -	\$5,501,291
711	Investment income-unrestricted	1,534	-	-	1,534
714	Fraud recovery	25,808	-	-	25,808
715	Other revenue	4,523	-	-	4,523
700	TOTAL REVENUE	5,500,650	32,506	-	5,533,156
EXPENSES					
911	Administrative salaries	276,972	-	-	276,972
912	Auditing fees	6,207	-	-	6,207
913	Book-keeping fee	6,000	-	-	6,000
914	Advertising and Marketing	21	-	-	21
915	Employee benefit contributions-administration	140,272	-	-	140,272
916	Office expense	67,570	-	-	67,570
918	Travel expense	2,867	-	-	2,867
910	Total Administrative	499,909	-	-	499,909
921	Tenant services-salaries	22,559	22,754	-	45,313
923	Employee benefit contributions - tenant services	9,668	9,752	-	19,420
910	Total Administrative	32,227	32,506	-	64,733
961.3	Workmen's compensation	7,355	-	-	7,355
961	Total Insurance	7,355	-	-	7,355
969	Total Operating Expenses	539,491	32,506	-	571,997
970	Excess operating revenues over operating expenses	4,961,159	-	-	4,961,159
973	Housing assistance payments	5,022,761	-	-	5,022,761
974	Depreciation expense	3,435	-	-	3,435
900	TOTAL EXPENSES	5,565,687	32,506	-	5,598,193
1000	Excess (deficiency) of operating revenue over (under) expenses	\$ (65,037)	\$ -	\$ -	\$ (65,037)
1103	BEGINNING EQUITY	609,756	-	-	609,756
1117	ADMINISTRATIVE FEE EQUITY	518,339	-	-	518,339
1118	HOUSING ASSISTANCE PAYMENTS EQUITY	26,380	-	-	26,380
1119	Unit months available	11,976	-	-	11,976
1120	Unit months leased	11,435	-	-	11,435

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
PHA Direct Program:		
Housing Choice Voucher	14.871	\$ 5,468,785
Family Self-Sufficiency Program	14.896	<u>32,506</u>
Total		<u>\$ 5,501,291</u>

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

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Boone County Assisted Housing Department under programs of the federal government for the year ended June 30, 2015. 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.

SAMMY K. LEE, P.S.C.

Certified Public Accountant

208 Pauline Drive, Suite D

Berea, Kentucky 40403

(859) 986-3756

(859) 986-0103

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 and for the year ended June 30, 2015, 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 28, 2016.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Sammy K. Lee, P.S.C.

Berea, Kentucky
March 28, 2016

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 COMPLIANCE FOR THE 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 the 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 the Agency's major federal program for the year ended June 30, 2015. The Agency's major federal program is 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 program.

Auditor's Responsibility

My responsibility is to express an opinion on compliance of the Agency's major federal program 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 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 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 the Agency's major federal program. However, my audit does not provide a legal determination of the Agency's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2015.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the 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, 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.

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.

Firm's signature

Sammy K. Lee, P.S.C.

Berea, Kentucky
March 28, 2016

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Boone County Assisted Housing Department.
2. No material weaknesses are reported in the 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.
3. No instances of non-compliance material to the financial statements of Boone County Assisted Housing Department were disclosed during the audit.
4. No material weaknesses in internal control over major federal award program were reported.
5. The auditor's report on compliance for the major federal award program for Boone County Assisted Housing Department expresses an unmodified opinion on the major federal program.
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 program includes:

<u>Programs</u>	<u>C.F.D.A./ Agency Number</u>
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.

FINDINGS-FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

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

*208 Pauline Drive, Suite D
Berea, Kentucky 40403
(859) 986-3756
(859) 986-0103*

Member of American Institute of CPA's

Member of Kentucky Society of CPA's

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 Boone County Assisted Housing Department (hereinafter called "The Agency") and the U.S. Department of Housing and Urban Development, Public Indian Housing-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 the accuracy and completeness of the electronic submission. 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. 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 the 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 in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, by the Agency as of and for the year ended June 30, 2015, and have issued my reports thereon dated March 28, 2016. 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 supplementary information dated March 28, 2016, 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 reports, 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 28, 2016

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURE
FOR THE YEAR ENDED JUNE 30, 2015**

<u>PROCEDURE</u>	<u>UFRS RULE INFORMATION</u>	<u>HARD COPY DOCUMENT(S)</u>	<u>FINDINGS</u>
1	Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position, & Cash Flow	Supplemental Schedules with Financial Statement Data	Agrees
2	Footnotes	Notes to the audited Financial Statements	Agrees
3	Type of Opinion on the Financial Statements and Auditor Reports	Auditor's Reports on the Financial Statements, Compliance, and Internal Control	Agrees
4	Type of Opinion on Supplemental Data	Auditor's Reports on Supplementary Information	Agrees
5	Audit Findings Narrative	Schedule of Findings and Questioned Costs	Agrees
6	General Information	Schedule of Findings and Questioned Costs and OMB Data Collection Form	Agrees