

BOONE COUNTY ASSISTED HOUSING DEPARTMENT

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2012

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>PAGE</u>
LEAD AUDITOR INFORMATION	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2-5
INDEPENDENT AUDITOR'S REPORT	6-7
FINANCIAL STATEMENTS	
Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-15
SUPPLEMENTARY INFORMATION	
Financial Data Schedule	16-18
Schedule of Expenditures of Federal Awards	19
SUMMARY OF PRIOR AUDIT FINDINGS	20
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	21-22
REPORT ON COMPLIANCE WITH REQUIRMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	23-24
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	25
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES	26
ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES	27

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, 2012**

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 2012 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 2012

Assets:

The current assets of the Agency decreased \$27,329 in 2012 primarily due to a decrease of \$51,079 in accounts receivable during the year and an increase in cash and cash equivalents.

Liabilities:

Total liabilities decreased from the prior year by \$85,915. The decrease occurred as a result of a decrease in both current and non-current liabilities compared to prior year amounts.

Revenues:

The Agency received a total of \$5,957,196 in revenues during the year, an increase of \$28,999 from the prior year. This was primarily due to an increase in operating grants from the prior year. Other income decreased by \$19,208 from the prior year.

Expenses:

During the year, total expenses decreased by \$120,937 compared to prior year amounts. The Agency expended \$5,915,625 during the year compared to \$5,794,688 during the prior year. There was a decrease in administrative expenses of \$11,473 and an increase in housing assistance payments of \$138,703 from prior year amounts.

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 Assets presents all of the Agency's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Agency's net assets 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 Assets present information showing how the Agency's net assets change in the most recent fiscal year. All changes in net assets 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, 2012**

During the fiscal year 2012, 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 expenditures of federal awards.

Financial Analysis of the Agency Taken As a Whole

Net assets 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 Assets:

The Statement of Net Assets provides a summary of the Agency's assets, liabilities, and net assets as of June 30, 2012. Total assets decreased by \$44,344 from the prior year and totaled \$1,358,938 at year end. Total liabilities decreased by \$85,915 and totaled \$212,160 at year end. Net assets at year end totaled \$1,146,778 compared to prior year of \$1,105,207 for a net increase in the amount of \$41,571.

Assets:

As of June 30, 2012, current assets totaled \$1,224,017 including \$1,114,778 in cash and cash equivalents.

Current assets decreased by \$27,329 from the prior year.

Liabilities:

Current liabilities decreased by \$23,343 during the year due to a decrease in deferred revenues.

Non-current liabilities decreased by \$62,572 from prior year.

Net Assets:

Net assets increased by \$41,571 during the year.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Current assets	\$ 1,224,017	\$ 1,251,346	\$ (27,329)
Capital assets	<u>134,921</u>	<u>151,936</u>	<u>(17,015)</u>
Total Assets	<u>1,358,938</u>	<u>1,403,282</u>	<u>(44,344)</u>
Current liabilities	24,453	47,796	(23,343)
Non-current liabilities	<u>187,707</u>	<u>250,279</u>	<u>(62,572)</u>
Total Liabilities	<u>212,160</u>	<u>298,075</u>	<u>(85,915)</u>
Invested in capital assets, net	134,921	151,936	(17,015)
Restricted net assets	553,185	463,964	89,221
Unrestricted net assets	<u>458,672</u>	<u>489,307</u>	<u>(30,635)</u>
Total Net Assets	<u>1,146,778</u>	<u>1,105,207</u>	<u>41,571</u>
Total Liabilities and Net Assets	\$ <u>1,358,938</u>	\$ <u>1,403,282</u>	\$ <u>(44,344)</u>

Summary of Changes in Net Assets

Revenues:

The Agency's main revenue sources are from HUD PHA operating grants. During the year, the Agency received \$5,908,577 from operating grants.

During the year, the Agency received \$5,957,196 in total revenues which reflects an increase from the prior year in the amount of \$28,999.

The Agency also received income from investments during the year. Interest income decreased by \$335 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 increased from \$5,794,688 in 2011 to \$5,915,625 in 2012 for a net increase in the amount of \$120,937.

Housing assistance payments increased during the year with a net increase of \$138,703. Administration expenses decreased by \$11,473.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2012</u>		<u>2011</u>		<u>Change</u>
Revenues:					
Operating grants	\$ 5,908,577	\$	5,860,035	\$	48,542
Investment income	7,249		7,584		(335)
Other income	41,370		60,578		(19,208)
Total Revenues	<u>5,957,196</u>		<u>5,928,197</u>		<u>28,999</u>
Expenses:					
Administration	626,108		637,581		(11,473)
Tenant services	65,558		65,234		324
Insurance Premiums	9,127		4,045		5,082
Housing assistance payments	5,197,704		5,059,001		138,703
Depreciation	17,016		28,827		(11,811)
Other general expenses	112		0		112
Total Expenses:	<u>5,915,625</u>		<u>5,794,688</u>		<u>120,937</u>
Change in Net Assets	41,571		133,509		(91,938)
Net Assets, Beginning of Year	<u>1,105,207</u>		<u>971,698</u>		<u>133,509</u>
Net Assets, End of Year	<u>\$ 1,146,778</u>	\$	<u>1,105,207</u>	\$	<u>41,571</u>

Capital Assets

The Agency's capital assets as of June 30, 2012, amounts to \$310,720 net of accumulated depreciation of \$175,799, leaving a net book value of \$134,921. 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 \$17,016. 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**

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

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

I have audited the accompanying statement of net assets of the Boone County Assisted Housing Department (hereinafter called "Agency") as of June 30, 2012, and the related statement of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 26, 2013, on my consideration of the Agency's internal control over financial reporting. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and the results of that testing and not to provide an opinion on internal control over financial reporting. In accordance with *Government Auditing Standards*, I have also issued an opinion dated March 26, 2013, on the Agency's compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters that could have a direct and material effect on a major HUD-assisted program. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, on page 2 through 5, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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 schedule, as shown on pages 16-18 is presented for purposes of additional analysis as 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 19, is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, and is not a required part of the basic 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.

Sammy K. Lee, P.S.C.

Berea, Kentucky
March 26, 2013

BOONE COUNTY ASSISTED HOUSING DEPARTMENT
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 561,261
Cash and cash equivalents-restricted	553,185
Accounts receivable, net of allowance for doubtful accounts of \$47,984	<u>109,571</u>
Total Current Assets	<u>1,224,017</u>

Non-Current Assets

Capital assets, net of accumulated depreciation of \$175,799	<u>134,921</u>
Total Non-Current Assets	<u>134,921</u>

TOTAL ASSETS	<u>\$ 1,358,938</u>
---------------------	----------------------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 2,577
Accrued wages payable	20,657
Accrued compensated absences-current	<u>1,219</u>
Total Current Liabilities	<u>24,453</u>

Non-Current Liabilities

Non-current liabilities-other	164,551
Accrued compensated absences-non-current	<u>23,156</u>
Total Non-Current Liabilities	<u>187,707</u>

TOTAL LIABILITIES	<u>212,160</u>
--------------------------	-----------------------

Net Assets

Invested in capital assets, net of related debt	134,921
Restricted net assets	553,185
Unrestricted net assets	<u>458,672</u>
Total Net Assets	<u>1,146,778</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,358,938</u>
---	----------------------------

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

OPERATING REVENUES

HUD PHA operating grants	\$ 5,908,577
Fraud recovery	34,700
Other revenue	<u>6,670</u>

TOTAL OPERATING REVENUES

5,949,947

OPERATING EXPENSES

Administration	626,108
Tenant services	65,558
Insurance	9,127
Housing assistance payments	5,197,704
Depreciation	17,016
Other general expenses	<u>112</u>

TOTAL OPERATING EXPENSES

5,915,625

OPERATING INCOME

34,322

NON-OPERATING REVENUES

Interest income	<u>7,249</u>
-----------------	--------------

TOTAL NON-OPERATING REVENUES

7,249

CHANGE IN NET ASSETS

41,571

NET ASSETS AT BEGINNING OF YEAR

1,105,207

NET ASSETS AT END OF YEAR

\$ 1,146,778

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operating grants	\$ 5,876,512
Cash received from other sources	41,370
Cash payments to suppliers for goods and services	(347,618)
Cash payments to employees	(356,059)
Cash payments for housing assistance payments	<u>(5,197,704)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES **16,501**

CASH FLOWS FROM INVESTING ACTIVITIES

Cash received from interest income	<u>7,249</u>
------------------------------------	--------------

NET CASH PROVIDED BY INVESTING ACTIVITIES **7,249**

NET INCREASE IN CASH AND CASH EQUIVALENTS **23,750**

BEGINNING CASH AND CASH EQUIVALENTS **1,090,696**

ENDING CASH AND CASH EQUIVALENTS **\$ 1,114,446**

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY
OPERATING ACTIVITIES**

OPERATING INCOME	<u>\$ 34,322</u>
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	17,016
(Increase) decrease in assets	
Accounts receivable	51,079
Increase (decrease) in liabilities	
Accounts payable	2,523
Accrued liabilities	(60,131)
Deferred liabilities	<u>(28,308)</u>
Total Adjustments	<u>(17,821)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES **\$ 16,501**

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Boone County Assisted Housing Department (The Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America 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. A summary of significant accounting and reporting policies consistently applied in the preparation of the 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 these criteria, 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.

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.

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 project 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.

Financial Statement Presentation

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America 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:

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Financial Statement Presentation-continued

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, 2012 totaling \$553,185.

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 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 the 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.

Prepaid

Prepaid represents payments made to vendors for services that will benefit beyond June 30, 2012

Investments

The Agency invests its excess cash in certificates of deposit, which are stated at cost in the financial statements.

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. Capital assets are estimated to have useful lives of 5 to 7 years. 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.

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.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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 expenses not meeting this definition are reported as non operating revenues and expenses.

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. In accordance with the provision of ASC 740-10, *Accounting for Uncertainty in Income Taxes*, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Agency's management believes there are no material uncertain tax positions and have not recognized any liability for unrecognized tax benefits. For the year ended June 30, 2012, the Agency did not recognize any interest or penalties.

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, 2012, the current liability for accrued compensated absences was \$1,219. Changes in the long-term account can be found in note 12.

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 12.

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 12.

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, 2012, the carrying amount of the Agency's cash accounts, both restricted and unrestricted was \$1,114,446. Bank balances before reconciling items were \$1,116,029, at that date, the total amount was collateralized or insured with securities held by an unaffiliated banking institution in the Agency's name. Cash, both restricted and unrestricted, at June 30, 2012 consisted of the following:

	<u>Amount</u>
General	\$ 440,194
Savings	<u>674,252</u>
Total	<u>\$ 1,114,446</u>

HUD Deposit Restrictions

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments. HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC 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.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012, the Agency's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk

This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The 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.

Restricted Cash

Restricted cash and investments consists of the following funds that are maintained for the benefit of the Section 8 Housing Assistance Payments Program (Home Ownership). Interest earned on the account is credited to the participants' account balance.

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. At June 30, 2012 accounts receivable was \$157,555 and the allowance for doubtful accounts was \$47,984. 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

Capital asset activity for the year was as follows:

	Office			
	Equipment	Renovation	Vehicles	Total
Capital Assets				
Balance, June 30, 2011	\$ 154,891	\$ 137,417	\$ 18,412	\$ 310,720
Increases	-	-	-	-
Decreases	-	-	-	-
Balance, June 30, 2012	<u>154,891</u>	<u>137,417</u>	<u>18,412</u>	<u>310,720</u>
Accumulated Depreciation				
Balance, June 30, 2011	126,979	14,314	17,490	158,783
Increases	12,659	3,435	922	17,016
Decreases	-	-	-	-
Balance, June 30, 2012	<u>139,638</u>	<u>17,749</u>	<u>18,412</u>	<u>175,799</u>
Capital Assets, Net	<u>\$ 15,253</u>	<u>\$ 119,668</u>	<u>\$ 0</u>	<u>\$ 134,921</u>

NOTE 5 – RESTRICTED NET ASSETS

Excess budget 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.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 6 – 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 7 – RISK MANAGEMENT

The Agency is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency carries commercial insurance coverage for these risks to the extent deemed prudent by Agency management.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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, 2012. Areas of noncompliance, if any, as a result of examinations would be included as a part of the "Findings and Questioned Costs. 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 expenses 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- CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Agency's operations are concentrated in the multifamily real estate market and all tenants are located in Northern 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 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 10 – INTERFUND RECEIVABLES AND PAYABLES

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Assets and Statement of Revenues, Expenses, and Net Assets have been eliminated. For the year ending June 30, 2012, there were no inter-fund transfers to be eliminated.

NOTE 11- EVALUATION OF SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through March 26, 2013, which is the date the financial statements were available to be issued.

NOTE 12- NON-CURRENT LIABILITIES

A summary of changes Non-current liabilities at June 30, 2012 consisted of the following:

	<u>6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/12</u>
Accrued compensated absences	<u>\$ 22,637</u>	<u>\$ 519</u>	<u>\$ 0</u>	<u>\$ 23,156</u>
FSS Escrow	<u>\$ 66,992</u>	<u>\$ 0</u>	<u>\$ 8,254</u>	<u>\$ 58,736</u>
Fraud Recovery	<u>\$ 160,650</u>	<u>\$ 0</u>	<u>\$ 54,837</u>	<u>\$ 105,815</u>

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

		Housing Choice Vouchers	Elimination	Total
FDS #				
ASSETS				
Current Assets				
111	Cash - unrestricted	\$ 561,261	\$ -	\$ 561,261
113	Cash - other restricted	<u>553,185</u>	<u>-</u>	<u>553,185</u>
100	Total Cash	<u>1,114,446</u>	<u>-</u>	<u>1,114,446</u>
122	Accounts receivable-HUD	3,757	-	3,757
128	Fraud Recovery	153,798	-	153,798
128.1	Allowance for Doubtful Accounts - Fraud	<u>(47,984)</u>	<u>-</u>	<u>(47,984)</u>
120	Total Receivables, Net	<u>109,571</u>	<u>-</u>	<u>109,571</u>
150	Total Current Assets	<u>1,224,017</u>	<u>-</u>	<u>1,224,017</u>
Fixed Assets				
164	Furniture, equip & machinery - administration	173,303	-	173,303
165	Leasehold improvements	137,417	-	137,417
166	Accumulated depreciation	<u>(175,799)</u>	<u>-</u>	<u>(175,799)</u>
160	Total Fixed Assets	<u>134,921</u>	<u>-</u>	<u>134,921</u>
180	Total Non-Current Assets	<u>134,921</u>	<u>-</u>	<u>134,921</u>
190	TOTAL ASSETS	<u>\$ 1,358,938</u>	<u>\$ -</u>	<u>\$ 1,358,938</u>

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
FINANCIAL DATA SCHEDULE-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

FDS #		<u>Housing Choice Vouchers</u>	<u>Elimination</u>	<u>Total</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
312	Accounts payable	\$ 2,577	\$ -	\$ 2,577
321	Accrued wage/Payroll taxes payable	20,657	-	20,657
322	Accrued compensated absences-current	<u>1,219</u>	<u>-</u>	<u>1,219</u>
310	Total Current Liabilities	<u>24,453</u>	<u>-</u>	<u>24,453</u>
Non-current Liabilities				
353	Non-current liabilities-other	164,551	-	164,551
354	Accrued compensated absences-non-current	<u>23,156</u>	<u>-</u>	<u>23,156</u>
310	Total Non-current Liabilities	<u>187,707</u>	<u>-</u>	<u>187,707</u>
300	Total Liabilities	<u>212,160</u>	<u>-</u>	<u>212,160</u>
Net Assets				
508.1	Invested in capital assets, net of related debt	134,921	-	134,921
511.1	Restricted net assets	553,185	-	553,185
512.1	Unrestricted net assets	<u>458,672</u>	<u>-</u>	<u>458,672</u>
513	Total Net Assets	<u>1,146,778</u>	<u>-</u>	<u>1,146,778</u>
600	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,358,938</u>	<u>\$ -</u>	<u>\$ 1,358,938</u>

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
FINANCIAL DATA SCHEDULE-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

		Housing Choice Vouchers	Elimination	Total
FDS #				
REVENUE				
706	HUD PHA operating grants	5,908,577	-	5,908,577
711	Investment income - unrestricted	2,900	-	2,900
714	Fraud Recovery	34,700	-	34,700
715	Other revenue	6,670	-	6,670
720	Investment income - Restricted	4,349	-	4,349
700	TOTAL REVENUE	5,957,196	-	5,957,196
EXPENSES				
911	Administrative salaries	358,473	-	358,473
912	Auditing fees	5,600	-	5,600
913	Book-keeping fees	6,000	-	6,000
915	Employee benefit contributions - administrative	161,247	-	161,247
916	Office expense	85,303	-	85,303
918	Travel	8,991	-	8,991
919	Other	494	-	494
910	Total Administrative	626,108	-	626,108
921	Tenant services-salaries	45,891	-	45,891
923	Employee benefit contributions-tenant services	19,667	-	19,667
910	Total Tenant Services	65,558	-	65,558
961.3	Workmen's compensation	9,127	-	9,127
910	Total Insurance Premiums	9,127	-	9,127
962	Other general expenses	112	-	112
960	Total other general expenses	112	-	112
969	Total Operating Expenses	700,905	-	700,793
970	Excess operating revenues over operating expenses	5,256,291	-	5,256,291
973	Housing assistance payments	5,197,704	-	5,197,704
974	Depreciation	17,016	-	17,016
900	TOTAL EXPENSES	5,915,625	-	5,915,625
1000	Excess (deficiency) of operating revenue over (under) expenses	\$ 41,571	\$ -	\$ 41,571
1103	BEGINNING EQUITY	1,105,207	-	1,105,207
1117	Administrative fee equity	593,593	-	593,593
1118	Housing assistance payments equity	553,185	-	553,185
1119	Unit months available	11736	-	11,736
1120	Unit months leased	11470	-	11,470

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

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	\$ 5,908,577
Total		\$ 5,908,577

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, 2012**

The audit report for the year ended June 30, 2011, 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

**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 the financial statements of the Boone County Assisted Housing Department. (Hereinafter called "Agency") as of and for the year ended June 30, 2012, and have issued my report thereon dated March 26, 2013. 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.

Internal Control over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Agency's internal control over financial reporting as a basis for designing my auditing procedures 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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*.

This report is intended solely for the information and use of the audit committee, board of commissioners, management, others within the entity, the U.S. Department of Housing and Urban Development, federal awarding agencies, and pass-through entities 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 26, 2013

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

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

Member of American Institute of CPA's

Member of Kentucky Society of CPA's

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

I have audited the Boone County Assisted Housing Department'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 the Agency's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Agency's management. My responsibility is to express an opinion on the Agency's compliance based on my audit.

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. My audit does not provide a legal determination of the Agency's compliance with those requirements.

In my opinion, the Agency complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, board of commissioners, management, others within the entity, the U.S. Department of Housing and Urban Development, federal awarding agencies, and pass-through entities 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 26, 2013

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012.
3. No instances of noncompliance material to the financial statements of the 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, 2012.
5. The auditor issues an unqualified opinion on compliance for major programs for the fiscal year ended June 30, 2012.
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 Vouchers

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 and Questioned Costs

None

Section III - Federal Award Findings and Questioned Costs

None

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 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 Boone County Assisted Housing Department and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (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 Boone County Assisted Housing Department 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 Boone County Assisted Housing Department as of and for the year ended June 30, 2012, and have issued my reports thereon dated March 26, 2013. 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 26, 2013, was expressed in relation to the basic financial statements of The Boone County Assisted Housing Department 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 Boone County Assisted Housing Department. 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, REAC.

This report is intended solely for the information and use of The Boone County Assisted Housing Department and the U.S. Department of Housing and Urban Development, 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 26, 2013

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT
ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGRED UPON PROCEDURES
JUNE 30, 2012**

PROCEDURE **UFRS RULE INFORMATION** **HARD COPY DOCUMENTS** **AGREES**

1	Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets	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

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

501 Darby Creek Road, Unit #24
Lexington, Kentucky 40509
(859) 986-3756

Member of American Institute of CPA's

Member of Kentucky Society of CPA's

March 26, 2013

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, 2012. 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 26, 2013. 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.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated March 26, 2013.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

None to discuss.

This information is intended solely for the use of the Director and Board of Commissioners and management of The Boone County Assisted Housing Department and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Sammy K. Lee, P.S.C.

Sammy K. Lee

Certified Public Accountant