

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT**  
**AUDITED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>PAGE</u>
<b>BOARD OF COMMISSIONERS</b>	1
<b>INDEPENDENT AUDITOR'S REPORT</b>	2-3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4-7
<b>BASIC FINANCIAL STATEMENTS</b>	
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	11-15
<b>SUPPLEMENTARY INFORMATION</b>	
Financial Data Schedules	16-17
Schedule of Expenditures of Federal Awards	18
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	19-20
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	21-22
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</b>	23-24
<b>INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE</b>	25
<b>ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE</b>	26

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
BOARD OF COMMISSIONERS  
JUNE 30, 2018**

**EXECUTIVE DIRECTOR**

Ms. Ruth Tanner

**BOARD OF COMMISSIONERS**

Honorable Gary Moore, County Judge Executive

Mr. Jessie Brewer

Ms. Cathy Flaig

Mr. Charles E. Kenner, DMD

**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 activity of the Boone County Assisted Housing Department (hereinafter called "the Agency") a component unit of the Boone County Fiscal Court as of and for the year ended June 30, 2018, and the related notes to the 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 activity of the Agency as of June 30, 2018, 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 16-17, is 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 18, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The financial data 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 27, 2019, 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 27, 2019

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

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 2018 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 2018**

**Assets:**

The current assets of the Agency increased \$250,411, 34.2% in 2018. This is primarily an increase in cash, \$156,665 of the increase is either restricted for future housing assistance payments or added to the balance being held for participants of the family self-sufficiency program.

**Liabilities:**

Excess HUD administrative fee grant monies received, but not yet earned, and an increase in the family self-sufficiency program accounts for the \$47,192, 39.3%, increase in liabilities in 2018.

**Revenues:**

Reduced operating grants revenue accounted for 91% of the (\$113,812) decrease in operating revenues during 2018. In fiscal year 2017 the Agency was able to draw on HUD held reserves to supplement their current year HUD budget authority and assist a greater number of families. For 2018 the HUD held reserves were depleted and the Agency reduced leasing to the level of budget authority awarded by HUD. Reduced leasing also translates into reduced administrative fee earned since this grant award is based on the number of vouchers leased during the year.

**Expenses:**

For the year, total expenses decreased (\$175,275; 2.8%). The Agency expended \$6,029,094 during the current year compared to \$6,204,369 the prior year. Housing Assistance Payments average 90% of the expenditures for both years' and decreased \$201,608 in 2018. Personnel costs are charged to tenant services in direct proportion to the HUD Family Self-Sufficiency grant. The decrease in this grant attributed to the overall increase in administration expenses.

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.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

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.

During the fiscal year 2018, 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 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, 2018. Total assets were \$1,105,467 at year end, an increase of \$234,585. Total liabilities increased by \$47,182 and totaled \$168,250 at year end. Net position at year end totaled \$937,217 compared to prior year of \$749,824 for a net increase of \$187,393 or 25%.

**Assets:**

As of June 30, 2018, current assets totaled \$982,789 all in cash and cash equivalents and accounts receivable.

Current assets increased by \$250,411 from the prior year.

**Liabilities:**

Current liabilities increased \$22,784 as a result of recognizing HUD administrative monies received but not yet earned.

Non-current liabilities increased by \$24,408, primarily due to the growth of the Family Self-Sufficiency Program during the year.

**Net position:** Net position increased by \$187,393 during the year.



**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Assets</b>			
Current assets	\$ 982,789	\$ 732,378	\$ 250,411
Capital assets	122,678	138,504	(15,826)
<b>Total Assets</b>	<u>\$ 1,105,467</u>	<u>\$ 870,882</u>	<u>\$ 234,585</u>
<b>Liabilities</b>			
Current liabilities	\$ 64,469	\$ 41,685	\$ 22,784
Non-current liabilities	103,781	79,373	24,408
<b>Total Liabilities</b>	<u>168,250</u>	<u>121,058</u>	<u>47,192</u>
<b>Net Position</b>			
Net investment in capital assets	122,678	138,504	(15,826)
Restricted net position	134,322	-	134,322
Unrestricted net position	680,217	611,320	68,897
<b>Total Net Position</b>	<u>937,217</u>	<u>749,824</u>	<u>187,393</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 1,105,467</u>	<u>\$ 870,882</u>	<u>\$ 234,585</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 \$6,181,394 from operating grants.

The Agency received \$6,216,487 in total revenues which reflects a decrease over the prior year of (\$113,812).

Other income reflects income received from various other sources, primarily that of tenant repayment of housing assistance, and tends to fluctuate from year to year.

**Expenses**

Total expenses during the year decreased from \$6,204,369 in 2017 to \$6,029,094 in 2018 for a net decrease of (\$175,275).

Housing assistance payments decreased (\$201,608). Tenant Services personnel costs are expensed directly proportionate to the HUD FSS grant; reductions in the grant award attributed to 39% of the \$34,291 increase in administrative expenses.



**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Revenues</b>			
Operating grants	\$ 6,181,394	\$ 6,284,932	\$ (103,538)
Investment income	5,836	2,473	3,363
Other income	29,257	42,894	(13,637)
<b>Total Revenues</b>	<u>6,216,487</u>	<u>6,330,299</u>	<u>(113,812)</u>
<b>Expenses</b>			
Administrative	510,648	476,357	34,291
Tenant services	55,310	68,767	(13,457)
Insurance premiums	3,650	3,465	185
Housing assistance payments	5,443,660	5,645,268	(201,608)
Depreciation	15,826	10,512	5,314
<b>Total Expenses</b>	<u>6,029,094</u>	<u>6,204,369</u>	<u>(175,275)</u>
<b>Change in Net Position</b>	<u>187,393</u>	<u>125,930</u>	<u>61,463</u>
<b>Net Position, Beginning of Year</b>	<u>749,824</u>	<u>623,894</u>	<u>125,930</u>
<b>Net Position, End of Year</b>	<u>\$ 937,217</u>	<u>\$ 749,824</u>	<u>\$ 187,393</u>

**Capital Assets**

The Agency's capital assets as of June 30, 2018, are \$336,504 net of accumulated depreciation of \$213,826, leaving a net invested in capital assets of \$122,678. This investment in capital assets includes office equipment, vehicles, and renovations.

The Agency did not add capital assets during the current fiscal year. Depreciation charges for the year totaled \$15,826. 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 2018 and 2019 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, 2018**

**ASSETS**

**Current Assets**

Cash and cash equivalents:

    Unrestricted

\$ 708,720

    Restricted

244,747

Accounts receivable, net of allowance for doubtful accounts of \$15,526

29,322

**Total Current Assets**

**982,789**

**Non-Current Assets**

Capital assets, net of accumulated depreciation of \$213,825

122,678

**Total Non-Current Assets**

**122,678**

**TOTAL ASSETS**

**\$ 1,105,467**

**LIABILITIES AND NET POSITION**

**Current Liabilities**

Accounts payable

\$ 2,119

Accrued wages payable

6,343

Accrued compensated absences

1,825

Accrued liabilities

31,116

Unearned revenue

23,066

**Total Current Liabilities**

**64,469**

**Non-Current Liabilities**

FSS escrow

87,359

Accrued compensated absences

16,422

**Total Non-Current Liabilities**

**103,781**

**TOTAL LIABILITIES**

**168,250**

**NET POSITION**

Net investment in capital assets

122,678

Restricted net position

134,322

Unrestricted net position

680,217

**TOTAL NET POSITION**

**937,217**

**TOTAL LIABILITIES AND NET POSITION**

**\$ 1,105,467**

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

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

**OPERATING REVENUES**

Federal operating grants	\$ 6,181,394
Fraud recovery	27,490
Other income	<u>1,767</u>

**TOTAL OPERATING REVENUES**

**6,210,651**

**OPERATING EXPENSES**

Administration	510,648
Tenant services	55,310
Insurance	3,650
Housing assistance payments	5,443,660
Depreciation	<u>15,826</u>

**TOTAL OPERATING EXPENSES**

**6,029,094**

**OPERATING INCOME**

**181,557**

**NON-OPERATING REVENUES**

Interest income	<u>5,836</u>
-----------------	--------------

**TOTAL NON-OPERATING REVENUES**

**5,836**

**CHANGE IN NET POSITION**

**187,393**

**NET POSITION AT BEGINNING OF YEAR**

**749,824**

**NET POSITION AT END OF YEAR**

**\$ 937,217**

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, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from operating grants	\$ 6,215,619
Cash received from other sources	29,257
Cash payments for suppliers for administration and tenant services	(213,603)
Cash payments to employees	(327,638)
Cash payments for housing assistance payments	(5,443,660)

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>259,975</u></b>
--	-----------------------

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash received from interest income	<u>5,836</u>
------------------------------------	--------------

<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b><u>5,836</u></b>
--	---------------------

<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>265,811</b>
--	----------------

<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b><u>687,656</u></b>
--	-----------------------

<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b><u><u>\$ 953,467</u></u></b>
---	---------------------------------

**Cash and cash equivalents are reflected in the Statement of Net Position as follows:**

Unrestricted cash and cash equivalents	\$ 708,720
Restricted cash and cash equivalents	244,747
	<b><u><u>\$ 953,467</u></u></b>

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

<b>OPERATING INCOME</b>	<b><u>\$ 181,557</u></b>
-------------------------	--------------------------

Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	15,826
(Increase) decrease in assets	
Accounts receivable	15,400
Increase (decrease) in liabilities	
Accounts payable	2,003
Accrued wages payable	205
Accrued compensated absences	3,133
Accrued liabilities	(11,609)
Unearned revenue	31,116
FSS escrow	22,344

Total Adjustments	<u>78,418</u>
-------------------	---------------

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u><u>\$ 259,975</u></u></b>
--	---------------------------------

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Nature of Organization and Activities**

The Boone County Assisted Housing Department, a non-profit organization, operates a Section 8 Housing Choice Vouchers Program under a contract with the U. S. Department of Housing and Urban Development (HUD). The program provides rental subsidies to eligible low-income families and individuals to assist in obtaining decent, safe, and sanitary housing. The Agency can serve up to 998 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 (oversight unit). 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 U.S. Generally Accepted Accounting Principles (GAAP) as applicable to special purpose governments engaged only in a 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 presents increases (income) and decreases (expenses) in the Agency's net position.

**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.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

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

**Financial Statement Presentation**

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 – 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 – 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, debt service and excess grant monies restricted for payments on behalf of housing participants. The Agency had \$134,322 in restricted net position at June 30, 2018.

Unrestricted – resources that are not subject to externally imposed stipulations. Unrestricted net position 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.

**Cash and Cash Equivalents**

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

**Accounts Receivable**

Accounts receivables consists of amounts due from HUD and or fraud recovery receivables consists of amounts due from landlords and tenants that participate in the Section 8 program. Fraud recovery amounts are reported at a 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 if purchased or fair value is contributed. The Agency's capitalization policy is \$500. When capital assets are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. 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. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Estimated useful lives are 20-40 years for building and land improvements, 5 years for vehicles, and 5-7 years for furniture and equipment.

**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, 2018, the current liability for accrued compensated absences was \$1,825. Changes in the long-term account can be found in note 5.

**Operating Revenues and Expenses**

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



**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

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

**Fraud Recovery**

The Agency attempts to recover tenant and owner fraud and abuse in the operation of the Housing Choice Voucher Program. Changes in the liability of this account can be found in note 5.

**Use of Estimates**

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

**NOTE 2 – DEPOSITS**

Deposits, both restricted and unrestricted, consist of the following at June 30, 2018:

	<b>Amount</b>
General	\$ 708,720
Restricted	244,747
<b>Total</b>	<b>\$ 953,467</b>

**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 time and savings accounts and \$250,000 for demand deposits (interest-bearing and noninterest-bearing). At June 30, 2018, the carrying amount of the Agency's deposits were \$953,467 and the bank balances were \$954,076. Bank balances were covered by FDIC insurance securities pledged at market in the Agency's name in the amount of \$250,000 and \$704,076 respectively.

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

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

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable consist of amounts due from HUD, Fraud Recovery and FSS. As of June, 30, 2018 accounts receivable was \$44,848 and the allowance for doubtful accounts totaled \$15,526.



**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 4 – SUMMARY OF CHANGES IN CAPITAL ASSETS**

	<u>7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2018</u>
<b>Capital assets, being depreciated:</b>				
Leasehold Improvements	\$ 137,417	\$ -	\$ -	\$ 137,417
Furniture & Equipment	199,087	-	-	199,087
<b>Total capital assets, being depreciated:</b>	<u>336,504</u>	<u>-</u>	<u>-</u>	<u>336,504</u>
<b>Less accumulated depreciation for:</b>				
Leasehold Improvements	34,923	3,435	-	38,358
Furniture & Equipment	163,077	12,391	-	175,468
<b>Total accumulated depreciation</b>	<u>198,000</u>	<u>15,826</u>	<u>-</u>	<u>213,826</u>
<b>Total capital assets, being depreciated, net</b>	<u>138,504</u>			<u>122,678</u>
<b>Capital assets, net</b>	<u><u>\$ 138,504</u></u>			<u><u>\$ 122,678</u></u>

Depreciation expense of \$15,826 was recognized during the year.

**NOTE 5 – NON-CURRENT LIABILITIES**

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

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Accrued compensated absences	\$ 14,358	\$ 2,064	\$ -	\$ 16,422
FSS Escrow	65,015	54,769	32,425	87,359
Total	<u>\$ 79,373</u>	<u>\$ 56,833</u>	<u>\$ 32,425</u>	<u>\$ 103,781</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.

**NOTE 7 – PENSION PLAN AND OPEB**

The Agency is a component unit of the Boone County Fiscal Court (BCFC) and its employees participate in the County Employee Retirement System (CERS). The Boone County Fiscal Court administers payroll and payroll related expenditures on behalf of the Agency. The BCFC reports all net pension liabilities, other post employment benefits (OPEB), deferred inflows, and deferred outflows in accordance with GASB 68 and 75. The Agency records their proportionate share of the costs on the BCFC's financial statements.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018. 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.

**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 27, 2019, which is the date the financial statements were available to be issued.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT**  
**FINANCIAL DATA SCHEDULES**  
**JUNE 30, 2018**

FDS #	Housing Choice Vouchers	Family Self- Sufficiency Program	Elimination	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Current Assets</b>				
111 Cash - unrestricted	\$ 708,720	\$ -	\$ -	\$ 708,720
113 Cash - other restricted	221,681	-	-	221,681
115 Cash - restricted for payment of current liabilities	23,066	-	-	23,066
<b>100 Total Cash</b>	<b>953,467</b>	<b>-</b>	<b>-</b>	<b>953,467</b>
122 Accounts receivable- HUD other projects	-	-	-	-
124 Accounts receivable - other government	-	-	-	-
128 Fraud recovery	44,848	-	-	44,848
128.1 Allowance for doubtful accounts - fraud	(15,526)	-	-	(15,526)
<b>120 Total Receivables, net</b>	<b>29,322</b>	<b>-</b>	<b>-</b>	<b>29,322</b>
<b>150 Total Current Assets</b>	<b>982,789</b>	<b>-</b>	<b>-</b>	<b>982,789</b>
<b>Capital Assets</b>				
164 Furniture, equip & machinery - administration	199,086	-	-	199,086
165 Leasehold improvements	137,417	-	-	137,417
166 Accumulated depreciation	(213,825)	-	-	(213,825)
<b>160 Total Capital Assets, net</b>	<b>122,678</b>	<b>-</b>	<b>-</b>	<b>122,678</b>
<b>180 Total Non-Current Assets, net</b>	<b>122,678</b>	<b>-</b>	<b>-</b>	<b>122,678</b>
<b>290 TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 1,105,467</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,105,467</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY</b>				
<b>Current Liabilities</b>				
312 Accounts payable <=90 days	\$ 1,463	\$ -	\$ -	\$ 1,463
321 Accrued wage/payroll taxes payable	6,343	-	-	6,343
322 Accrued compensated absences - current portion	1,825	-	-	1,825
331 Accounts payable - HUD PHA Programs	656	-	-	656
342 Unearned revenue	23,066	-	-	23,066
345 Other current liabilities	31,116	-	-	31,116
<b>310 Total Current Liabilities</b>	<b>64,469</b>	<b>-</b>	<b>-</b>	<b>64,469</b>
<b>Non-Current Liabilities</b>				
353 Non-current liabilities-other	87,359	-	-	87,359
354 Accrued compensated absences - non current	16,422	-	-	16,422
<b>350 Total Non-Current Liabilities</b>	<b>103,781</b>	<b>-</b>	<b>-</b>	<b>103,781</b>
<b>300 Total Liabilities</b>	<b>168,250</b>	<b>-</b>	<b>-</b>	<b>168,250</b>
<b>Net Position</b>				
508.4 Net investments in capital assets	122,678	-	-	122,678
511.4 Restricted net position	134,322	-	-	134,322
512.4 Unrestricted	680,217	-	-	680,217
<b>513 Total Net Position</b>	<b>937,217</b>	<b>-</b>	<b>-</b>	<b>937,217</b>
<b>600 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY</b>	<b>\$ 1,105,467</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,105,467</b>

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
FINANCIAL DATA SCHEDULES-CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>FDS #</b>		<b>Housing Choice Vouchers</b>	<b>Family Self- Sufficiency Program</b>	<b>Elimination</b>	<b>Total</b>
<b>REVENUE</b>					
706	HUD PHA operating grants	\$6,126,084	\$ 55,310	\$ -	\$6,181,394
711	Investment income-unrestricted	5,836	-	-	5,836
714	Fraud recovery	27,490	-	-	27,490
715	Other revenue	1,767	-	-	1,767
<b>700</b>	<b>TOTAL REVENUE</b>	<b>6,161,177</b>	<b>55,310</b>	<b>-</b>	<b>6,216,487</b>
<b>EXPENSES</b>					
911	Administrative salaries	290,962	-	-	290,962
912	Auditing fees	6,800	-	-	6,800
914	Advertising and Marketing	30	-	-	30
915	Employee benefit contributions-administration	130,820	-	-	130,820
916	Office expense	71,897	-	-	71,897
918	Travel expense	3,629	-	-	3,629
919	Other	6,500	-	-	6,500
<b>910</b>	<b>Total Administrative</b>	<b>510,638</b>	<b>-</b>	<b>-</b>	<b>510,638</b>
921	Tenant services-salaries	-	38,717	-	38,717
923	Employee benefit contributions - tenant services	-	16,593	-	16,593
<b>910</b>	<b>Total Tenant Services</b>	<b>-</b>	<b>55,310</b>	<b>-</b>	<b>55,310</b>
961.2	Liability insurance	3,650	-	-	3,650
<b>961</b>	<b>Total Insurance</b>	<b>3,650</b>	<b>-</b>	<b>-</b>	<b>3,650</b>
<b>969</b>	<b>Total Operating Expenses</b>	<b>514,288</b>	<b>55,310</b>	<b>-</b>	<b>569,598</b>
<b>970</b>	<b>Excess operating revenues over operating expenses</b>	<b>5,646,889</b>	<b>-</b>	<b>-</b>	<b>5,646,889</b>
973	Housing assistance payments	5,443,670	-	-	5,443,670
974	Depreciation expense	15,826	-	-	15,826
<b>900</b>	<b>TOTAL EXPENSES</b>	<b>5,973,784</b>	<b>55,310</b>	<b>-</b>	<b>6,029,094</b>
<b>1000</b>	<b>Excess (deficiency) of operating revenue over (under) expenses</b>	<b>\$ 187,393</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 187,393</b>
<b>1103</b>	<b>BEGINNING EQUITY</b>	<b>749,824</b>	<b>-</b>	<b>-</b>	<b>749,824</b>
<b>1117</b>	<b>ADMINISTRATIVE FEE EQUITY</b>	<b>680,227</b>	<b>-</b>	<b>-</b>	<b>680,227</b>
<b>1118</b>	<b>HOUSING ASSISTANCE PAYMENTS EQUITY</b>	<b>134,322</b>	<b>-</b>	<b>-</b>	<b>134,322</b>
<b>1119</b>	<b>Unit months available</b>	<b>11,976</b>	<b>-</b>	<b>-</b>	<b>11,976</b>
<b>1120</b>	<b>Unit months leased</b>	<b>10,804</b>	<b>-</b>	<b>-</b>	<b>10,804</b>

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>		
PHA Direct Program:		
Housing Choice Voucher	14.871	6,126,084
Family Self-Sufficiency Program	14.896	\$ 55,310
Total		<u>\$ 6,181,394</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 award activity of the Agency under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 position, 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 the Uniform Guidance and/or OMB A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Agency has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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 activity of the Agency, as of and for the year ended June 30, 2018, 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 27, 2019.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sammy K. Lee, P.S.C.*

Berea, Kentucky  
March 27, 2019



**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 COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 Compliance Supplement* that could have a direct and material effect on each Agency's major federal program for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that 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 each the 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, 2018.

## Report on Internal Control over Compliance

Management of the Agency, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Sammy K. Lee, P.S.C.*

Berea, Kentucky  
March 27, 2019

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the basic financial statements of the Boone County Assisted Housing Department were prepared in accordance with GAAP.
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 are reported internal control over major federal award program.
5. The auditor's report on compliance for each 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 2 CFR section 200.516 9(a) are reported in this Schedule.
7. The program 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 \$750,000.
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.

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

There were no findings noted in the June 30, 2017 audit report.

**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 (hereinafter "the Agency") and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), on whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. The Agency is responsible for the accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of the Agency and REAC. 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 associated findings from 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.

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. I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission of the items listed in the "UFRS Rule Information" column agrees with the related hard copy documents within the audit reporting package. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

I was engaged to perform an audit in accordance with the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance)*, by the Agency as of and for the year ended June 30, 2018, and have issued my reports thereon dated March 27, 2019. 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 27, 2019, was expressed in relation to the basic financial statements of the Agency taken as a whole.

A copy of the reporting package required by the OMB Uniform Guidance, 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, REAC.

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

***Sammy K. Lee, P.S.C.***

Berea, Kentucky  
March 28, 2019

**BOONE COUNTY ASSISTED HOUSING DEPARTMENT  
ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING  
AGREED-UPON PROCEDURE  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>PROCEDURE</u>	<u>UFRS RULE INFORMATION</u>	<u>HARD COPY DOCUMENTS</u>	<u>FINDINGS</u>
1	Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position, & Cash Flow	Financial Data Templates (i.e. Supplemental Schedules)	Agrees
2	Footnotes	Footnotes to Audited Basic 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 Federal Awards Data	Agrees