

**HERNANDO COUNTY
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND REPORTS**

September 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hernando County Housing Authority
Brooksville, Florida

We have audited the accompanying financial statements of the business-type activities of Hernando County Housing Authority as of and for the year ended September 30, 2009, which collectively comprise Hernando County Housing Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hernando County Housing Authority's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our 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 we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hernando County Housing Authority as of September 30, 2009 and the changes in its financial position 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*, we have also issued a report dated June 21, 2010 on our consideration of Hernando County Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hernando County Housing Authority's financial statements as a whole. The accompanying supplemental financial data schedule – net assets and supplemental financial data schedule – schedule of revenues, expenses and changes in net assets are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplemental financial data schedule – net assets, supplemental financial data schedule – schedule of revenues, expenses and changes in net assets and schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate 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 additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



June 21, 2010

HERNANDO COUNTY HOUSING AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2009

The Hernando County Board of County Commissioners created the Hernando County Housing Authority (HCHA) on May 3, 1977 through resolution no.77-32 pursuant to the provisions of Chapter 421, Florida Statutes. A governing body of five (5) Commissioners develops the policies and goals of the Authority; this autonomous Board is appointed by the Governor of the State of Florida. However, HCHA receives almost all its funding through the U.S. Department of Housing and Urban Development (HUD). Therefore, HCHA must administer its program in compliance with HUD rules and regulations and is annually graded by HUD. HUD currently considers the Authority to be a standard performing housing authority.

HCHA is dedicated to enhancing the quality of life in Hernando County, Florida by providing and effectively managing affordable housing programs. To further its goal, HCHA has adopted the formal mission statement "HCHA is committed to educating, organizing, advocating and ensuring the provisions of adequate, affordable housing within strong viable communities for Hernando County citizens, particularly those with very low to moderate incomes". HCHA seeks to achieve the highest and best use of its housing and housing programs for families of low and moderate income through its de-concentration efforts and efforts to create viable mixed-income affordable housing communities throughout our jurisdiction.

As management of Hernando County Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Since the last audit period, fiscal year ended September 30, 2008, the Authority has continued to make progress both financially and operationally. This may be attributed to a progressive and committed Board of Commissioners, Executive Director and staff.

Financial Highlights

In addition to the following highlights, a more descriptive explanation of the following items is provided later in this report.

- The assets of the Authority exceeded its liabilities as of September 30, 2009 by \$1,102,928 (net assets).
- The Authority's cash balance as of September 30, 2009 was \$1,084,656 representing a decrease of \$274,913 from September 30, 2008.
- The Authority had total revenues of \$2,070,962 and total expenses of \$2,388,914 for the year ended September 30, 2009.

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended September 30, 2009

Overview of the Financial Statements

The financial statements included in this annual report are those of a Florida established housing authority which is a public body corporate and politic and are considered to be special districts (governmental entities). The following entity wide financial statements are included:

- **Statement of Net Assets** – reports the Authority's assets and liabilities at the end of the fiscal year and provides information about the nature and amounts of investment of resources and obligations to creditors.
- **Statement of Revenues, Expenses, and Changes in Net Assets** – the results of activity over the course of the fiscal year. It details the costs associated with operating the facility and how those costs were funded. It also provides an explanation of the change in net assets from the previous fiscal year end to the current fiscal year end.
- **Statement of Cash Flows** – reports the Authority's cash flows in and out from operating, investing and financing activities. It details the sources of the Authority's cash, what it was used for, and the change in cash over the course of the fiscal year.
- The financial statements also include notes that provide required disclosures and other information necessary to gather the full meaning of the material presented in the statements.

An analysis of entity wide net assets, revenues, and expenses has been provided, and includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. This analysis also reflects the Authority's net assets and changes in assets. The Authority's net assets are the differences between what the Authority owns (i.e., assets) and what the Authority owes (i.e., liabilities), and are considered one way to measure the Authority's financial health.

Over a period of time, changes in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. Readers should consider other non-financial factors such as fluctuation in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets to assess the overall health of the Authority.

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended September 30, 2009

Analysis of Entity Wide Net Assets (Statement of Net Assets)

Total Assets for FYE 2009 was \$1,228,348 and at FYE 2008 the amount was \$1,515,853. This represents a net decrease of \$287,505. The net decrease was due primarily to a decrease in cash of \$274,913, an increase in current liabilities (accounts payable, accrued wages, and compensated absences) of \$17,408 and a net decrease in capital assets of \$6,951.

The most significant decrease in assets related to cash which decreased \$274,913. The decrease was primarily due to total expenses exceeding total revenue by \$317,952.

The net decrease in capital assets \$6,951 is attributed to depreciation expense for the year.

Summary of Assets, Liabilities and Net Assets	September 30,	
	2008	2009
<u>Assets:</u>		
Total Unrestricted Assets	\$ 987,232	\$ 933,782
Total Restricted Assets	408,258	181,154
Net Capital Assets	120,363	113,412
Total Assets	\$ 1,515,853	\$ 1,228,348
<u>Liabilities and Net Assets:</u>		
Liabilities:		
Current Liabilities	\$ 46,146	\$ 63,554
Non-current Liabilities	48,827	61,866
Total Liabilities	94,973	125,420
Net Assets:		
Invested in Capital Assets, Net of Related Debt	120,363	113,412
Restricted Net Assets	371,897	130,963
Unrestricted Net Assets	928,620	858,553
Total Net Assets	1,420,880	1,102,928
Total Liabilities and Net Assets	\$ 1,515,853	\$ 1,228,348

HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2009

Analysis of Entity Wide Revenue (Statement of Revenues, Expenses and Changes in Net Assets)

The following provides the programs administered by the Authority and the revenues generated from these programs during FYE 2008 and 2009:

	For the Year Ended September 30,	
	<u>2008</u>	<u>2009</u>
Operating Revenue		
HUD grants	\$2,077,349	\$1,860,657
Other government grants	113,899	106,073
Fraud recovery	3,767	847
Other revenue	<u>54,978</u>	<u>75,811</u>
Total Operating Revenue	<u>2,249,993</u>	<u>2,043,388</u>
 Operating Expenses		
Administrative salaries	196,494	177,561
Auditing fees	16,593	15,343
Employee benefit contributions	79,582	74,072
Office expense	52,116	60,898
Legal	-	2,000
Travel	4,332	2,640
Other administrative expense	7,644	105,388
Water/sewer	882	612
Electric	2,250	2,214
Insurance	12,276	8,676
General expense	44,588	30,187
Housing assistance payments	1,697,636	1,902,372
Depreciation expense	<u>8,019</u>	<u>6,951</u>
Total Operating Expenses	<u>2,122,412</u>	<u>2,388,914</u>
 Operating Income (Loss)	 127,581	 (345,526)
 Non-operating Revenue		
Investment income-unrestricted	24,978	14,636
Investment income-restricted	<u>14,865</u>	<u>12,938</u>
Total Non-operating Revenue	<u>39,843</u>	<u>27,574</u>
 Net Income (Loss)	 167,424	 (317,952)
 Net Assets, beginning of year	 <u>1,253,456</u>	 <u>1,420,880</u>
Net Assets, end of year	<u>\$1,420,880</u>	<u>\$1,102,928</u>

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

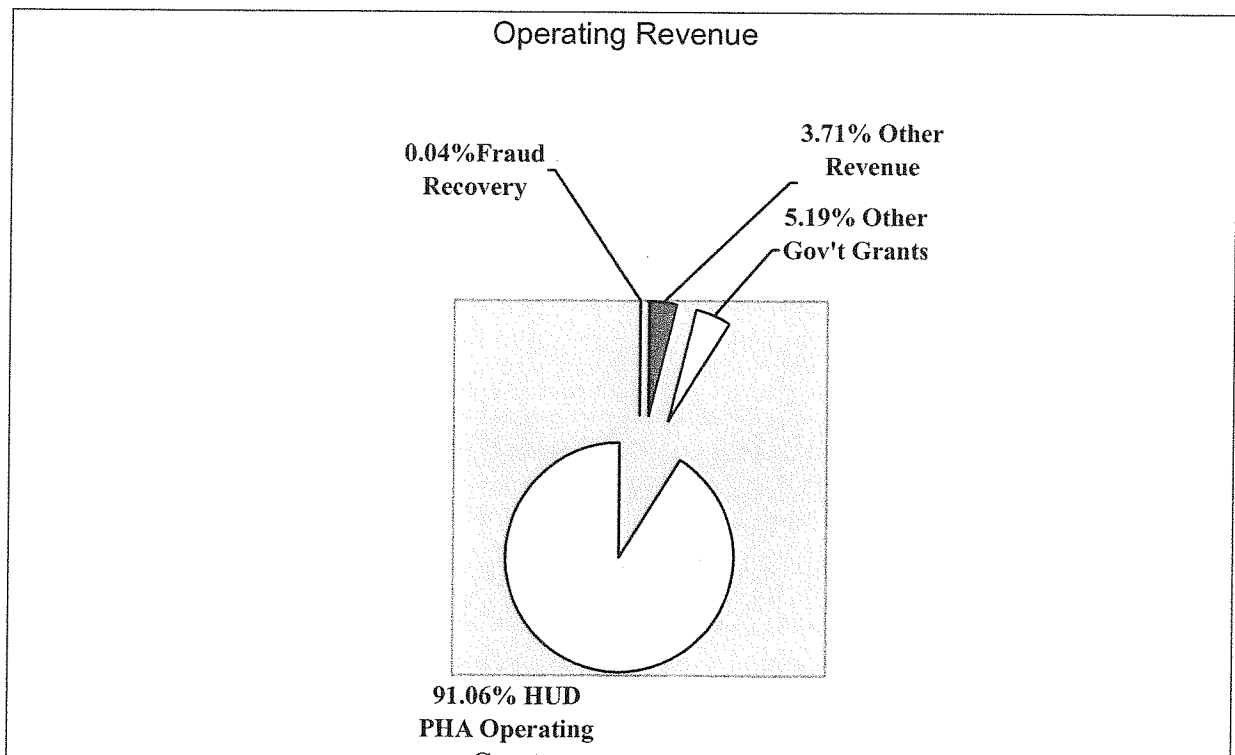
For the Year Ended September 30, 2009

Analysis of Entity Wide Revenue (Statement of Revenues, Expenses and Changes in Net Assets) (continued)

Overall operating revenue decreased \$206,605 from the prior year. This is primarily attributed to HUD grants decreasing by \$216,692 from the prior year due to decreases in the funding level for the current year. Other government grants decreased by \$7,826 from the prior year due to decreased activity in the Authority's SHIP program. Fraud recovery and other income increased for a total of \$17,913.

Overall operating expenses increased by \$266,502. The most significant increases were an increase in office expenses of \$8,782, an increase in other administrative expenses of \$97,744, and an increase in housing assistance payments of \$204,736 due to increased utilization and changes in tenant rents. There were decreases in administrative salaries of \$18,933, employee benefits of \$5,510, general expenses of \$14,401 and all other expenses of \$5,916.

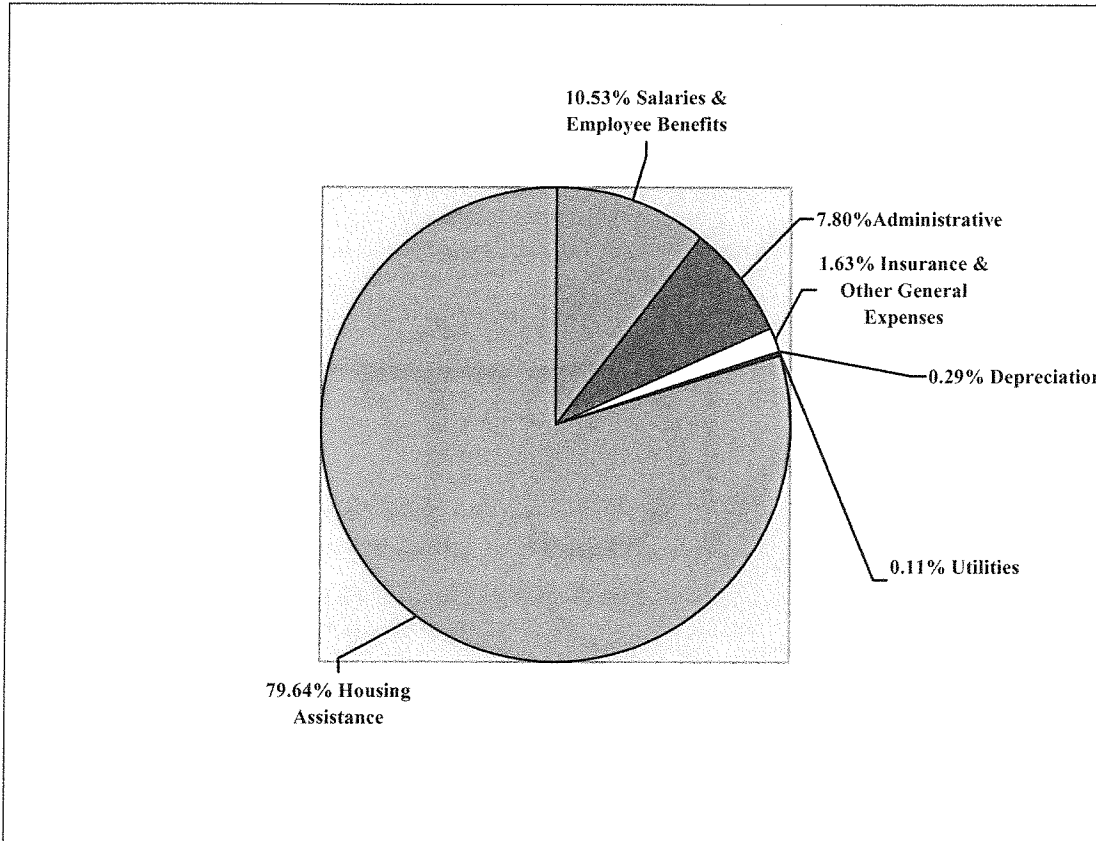
The diagram below illustrates the percentage of revenues generated from these programs by the Authority during FYE 2009.



**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended September 30, 2009

**Analysis of Entity Wide Expenses
(Statement of Revenues, Expenses and Changes in Net Assets)**

The diagram below illustrates the percentage of expenses during FYE 2009



**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2009**

Debt Outstanding

As of year-end, the Authority had no long-term debt (bonds, notes, etc.) outstanding. The only long term liabilities were accrued compensated absences and Section 8 self-sufficiency accounts.

Future Plans

The Hernando County Housing Authority established the goals of:

- 1) Developing a 60-unit elderly apartment complex (Magnolia Gardens) through a partnership with The NRP Florida Development, LLC, and the apartments will be located at 20180 Barnett Road in the south central side of Brooksville. The project will serve elderly households with incomes not to exceed 60% of Area Median Income. Financing has been applied for and the application is currently under review by the Florida Housing Finance Corp.
- 2) The Housing Authority will continue to assist private development in the financing of affordable housing outside the traditional realm of assisted housing by issuing tax-exempt bonds and with State Housing Initiative Partnership (SHIP) funding.
- 3) Continue to improve its Section 8 Housing Choice Voucher program by increasing housing opportunities and improving the operational aspects of the program.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of housing assistance payments.
- Inflationary pressure on utility rates, supplies and other costs

Financial Contact

The individual to be contacted regarding this report is Donald C. Singer, Executive Director of the Hernando County Housing Authority. Specific requests may be submitted to the Hernando County Housing Authority at 1661 Blaise Drive; Brooksville, Florida 34601; telephone 352-754-4160.

HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF NET ASSETS
September 30, 2009

ASSETS

Current Assets:

Cash - unrestricted	\$	903,502
Accounts receivable, net of allowance for doubtful accounts of \$13,667		27,844
Prepaid expenses and other assets		2,436
		<u>933,782</u>

Total Current Assets

Restricted Assets:

Cash - other restricted		181,154
		<u>181,154</u>

Capital Assets:

Land		104,158
Furniture and equipment - administration		41,415
Accumulated depreciation		(32,161)
		<u>113,412</u>

Total Capital Assets

Total Assets \$ 1,228,348

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable - ≤ 90 days	\$	42,662
Accrued payroll		6,465
Accrued compensated absences - current portion		11,674
Accounts payable - PHA projects		2,753
		<u>63,554</u>

Total Current Liabilities

Non-current Liabilities:

Non-current liabilities - other		50,191
Accrued compensated absences - non current		11,675
		<u>61,866</u>

Total Non-current Liabilities

Total Liabilities 125,420

Net Assets:

Invested in capital assets - net of related debt		113,412
Restricted net assets		130,963
Unrestricted net assets		858,553
		<u>1,102,928</u>

Total Net Assets

Total Liabilities and Net Assets \$ 1,228,348

See accompanying notes to financial statements.

HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2009

Operating Revenue

HUD grants	\$	1,860,657
Other government grants		106,073
Fraud recovery		847
Other revenue		75,811
Total Operating Revenue		2,043,388

Operating Expenses

Administrative salaries		177,561
Auditing fees		15,343
Employee benefit contributions		74,072
Office expense		60,898
Legal fees		2,000
Travel		2,640
Other administrative expense		105,388
Water/Sewer		612
Electric		2,214
Insurance		8,676
General expense		30,187
Housing assistance payments		1,902,372
Depreciation expense		6,951
Total Operating Expenses		2,388,914

Operating Loss (345,526)

Non-operating Revenue

Investment income - unrestricted		14,636
Investment income - restricted		12,938
Total Non-operating Revenue		27,574

Net Loss (317,952)

Net Assets, beginning of year		1,420,880
Net Assets, end of year	\$	1,102,928

See accompanying notes to financial statements.

HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2009

Cash Flows From Operating Activities

Receipts:

Government operating subsidies and grants	\$ 1,966,502	
Other income	76,732	
Total Receipts	<u>2,043,234</u>	

Disbursements:

Payments to and benefits for employees	257,985	
Payments to suppliers	202,946	
Payments to landlords	1,884,790	
Total Disbursements	<u>2,345,721</u>	

Net Cash From Operating Activities (302,487)

Cash Flows From Investing Activities

Investment income	27,574	
Decrease in Cash	<u>(274,913)</u>	

	Cash, beginning of year	1,359,569
	Cash, end of year	<u>\$ 1,084,656</u>

Reported as:

Cash - unrestricted	\$ 903,502	
Cash - restricted	181,154	
Total Cash, end of year	<u>\$ 1,084,656</u>	

Reconciliation of Operating Loss to Cash Flows From Operating Activities

Operating loss	\$ (345,526)	
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	6,951	
Provision for bad debts	(66)	
(Increase) decrease in:		
Accounts receivable - PHA projects	(9,355)	
Accounts receivable - fraud recovery	74	
Accounts receivable - other governments	9,655	
Prepaid expenses and other assets	5,333	
Increase (decrease) in:		
Accounts payable ≤ 90 days	23,497	
Accrued payroll	(4,769)	
Accounts payable - PHA projects	(528)	
Accrued compensated absences	(1,583)	
Non-current liabilities - other	13,830	
Net Cash From Operating Activities	<u>\$ (302,487)</u>	

See accompanying notes to financial statements.

HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Hernando County Housing Authority (the "Authority") is a public body corporate and politic organized under Chapter 421 of the Florida State Statutes to operate housing projects for the benefit of lower income families by providing decent, safe and sanitary dwellings within the financial means of such families.

Where the United States Department of Housing and Urban Development ("HUD") subsidizes housing, total rent is determined by the Authority within guidelines established by HUD. The tenant's portion of such rent and the housing assistance provided by HUD are also determined using the agency's guidelines.

Reporting Entity

The Governmental Accounting Standards Board has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under these criteria the Authority is considered to be a *primary government*, since it is a special purpose government that has a separate governing body, is legally separate and is fiscally independent of other state or local governments.

The Authority is a legally separate public body corporate and politic organized under Chapter 421 of the Florida State Statutes to provide low-rent housing for qualified individuals in accordance with laws, rules and regulations prescribed by the United States Department of Housing and Urban Development ("HUD"). The members of its Board of Commissioners are appointed by the Governor of the State of Florida.

The Authority is a related organization of the State of Florida since the members of its Board of Commissioners are appointed by the Governor. The State of Florida is not financially accountable for the Authority as it cannot impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on the State of Florida. Accordingly, the Authority is not a component unit of the State of Florida.

In determining how to define the reporting entity, management has considered all potential component units. The determination to include a component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. These criteria include manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion and organizations included in the reporting entity although the primary organization is not financially accountable. Based on the application of these criteria, the Authority does not have any component units.

HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation and Accounting

Proprietary Fund:

In accordance with uniform financial reporting standards for United States Department of Housing and Urban Development housing programs, the financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America.

Based on compelling reasons offered by The United States Department of Housing and Urban Development, the Authority reports its operations under the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting. The enterprise fund emphasizes the flow of economic resources measurement focus. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues are recorded when they are earned and expenses are recorded at the time liabilities are incurred.

Pursuant to the election option made available through Governmental Accounting Standards Board Statement No. 20, management has elected to apply all statements and interpretations issued by the Financial Accounting Standards Board on or before November 30, 1989 to its proprietary fund operations except those that conflict with or contradict Statements issued by the Governmental Accounting Standards Board.

The enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business or where the Board of Commissioners has decided that the determination of revenues earned, costs incurred, and/or net income necessary for management accountability is appropriate. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the public on a continuing basis be financed or recovered primarily through user charges.

Program/Activity Accounting

The accounting records are established in a manner which enables the Authority to ensure observance of limitations and restrictions placed on the use of resources available to it. The accounting records are also maintained in a manner that provides the Authority with the ability to monitor the financial results associated with certain other activities or otherwise provide for management accountability.

Separate identifiable accounts are maintained within the accounting records for each program/activity. However, all of the programs/activities are part of a single enterprise fund for financial reporting purposes.

The programs/activities included in the accompanying financial statements include all programs/activities of the Authority that relate to providing housing assistance to lower income families and all other programs, functions and activities over which the Board has oversight responsibility and financial accountability.

HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program/Activity Accounting (continued)

These programs/activities are as follows:

Section 8 Housing Assistance – Housing Choice Voucher Program (CFDA 14.871):

This fund accounts for the activity associated with the projects and other facilities subsidized by the United States Department of Housing and Urban Development under Annual Contributions Contract A-2999.

State Housing Initiative Partnership Program (CSFA 52.901):

This fund accounts for the activity associated with the projects and other facilities subsidized by the State of Florida through the State Housing Initiative Partnership (SHIP) Program and Hernando County, Florida.

Bond Program:

This fund accounts for the activities of the Authority's Multi-Family Tax Exempt Bond Program. The Authority is authorized under Part I Chapter 421 of the Florida Statutes, to issue tax-exempt bonds to finance the acquisition, construction, or reconstruction of qualified multi-family rental housing developments for persons or families of low, moderate, or middle incomes.

Budgets

Budgets are prepared on an annual basis for each fund and program and are used as a management tool throughout the accounting cycle. Budgets are not however legally adopted nor legally required for financial statement presentation.

Income Taxes

The Authority is a public body corporate and politic exempt from Federal and State income taxes.

Restricted Assets

Certain assets are classified as restricted assets in the accompanying statement of net assets when constraints are placed on their use by external parties or law. The assets that are classified as restricted include the following:

Restricted Cash

Restricted cash consists of bank accounts that have been established in order to ensure the availability of funds to pay amounts held in escrow. Also included are funds being held by certain entities on behalf of the Authority as a result of the issuance of certain debt instruments that are to be used to pay for certain costs.

Capital Assets

Capital assets are recorded at cost if their cost exceeds \$100. Donated assets are recorded at fair market value at the date of donation.

Depreciation is calculated using the straight-line method over the useful life of the related asset. The useful life established for furniture and equipment is 5 years.

HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The Authority's policy allows employees to accumulate unused vacation leave as follows:

	Maximum Carryover in Hours
Date of hire to end of 5th year	240
Start of 6th year to end of 10th year	360
Start of 11th year and over	480

Employee's that have accrued hours in excess of the maximum lose the excess hours as of January 1 of each year. Employees are paid for unused leave upon termination of employment.

Sick leave is accrued at the rate of .04615 hours for each hour worked. Accumulated unused sick leave is carried forward.

Operating and Non-operating Revenues and Expenses

The Authority recognizes operating revenues and expenses as a result of providing low rent housing and other services. The principal operating revenues of the Authority consist of tenant rental charges, operating subsidies and grants and other revenue received from similar operations. Operating expenses include the costs of housing assistance payments to landlords, administrative expenses, and costs associated with providing program services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Government Grants and Subsidies

The subsidies and operating grants received by the Authority from HUD under Annual Contributions Contracts are recorded as operating revenue in the period earned in accordance with accounting principles generally accepted in the United States of America.

The Housing Choice Vouchers Program Annual Contributions Contract with HUD provides for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payments covering the difference between the maximum rental on a dwelling unit and the amount of rent contribution by the participating family plus related administrative expenses.

HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

NOTE B - CASH

Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of a bank failure, the housing authority's deposits may not be returned to it. At year end, the housing authority's deposits were entirely covered by federal depository insurance or guaranteed by qualified public depositories in Florida pursuant to Chapter 280.07, Florida Statutes.

Cash

Cash in the accompanying financial statements consists of demand deposits in financial institutions and cash on hand.

Deposits

All deposits are carried at cost and are in financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") and collateralized. Florida Statutes Chapter 280 sets forth the qualifications and requirements that a financial institution must meet in order to become a qualified depository. The Statute also defines the amount and type of collateral that must be pledged in order to remain qualified.

Florida Statute 218.415 requires deposits of governmental entities be made only with Qualified Public Depositories (QPDs). Public funds on deposit in QPDs are protected against loss due to insolvency by: (1) federal deposit insurance; (2) the pledge of securities as collateral; and (3) a contingent liability agreement that allows the Chief Financial Officer of the State of Florida to assess QPDs if the securities pledged by an insolvent QPD are insufficient. The agreement for collateralization of public funds is with the State of Florida and not with the Authority. Similar to FDIC, the State of Florida is guaranteeing the deposit.

Total bank balances at September 30, 2009 were \$ 1,092,965 and the total carrying value was \$ 1,084,656 at September 30, 2009.

HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE C - CAPITAL ASSETS

The changes in capital assets for the year ended September 30, 2009 were as follows:

	Balance Balance Beginning of Year	Additions	Deletions	Balance End of Year
Not being depreciated:				
Land	\$ 104,158	\$ -	\$ -	\$ 104,158
Being depreciated:				
Administrative equipment	41,415	-	-	41,415
Less: accumulated depreciation:				
Administrative equipment	25,210	6,951	-	32,161
Total capital assets, being depreciated, net	16,205	(6,951)	-	9,254
Capital assets, net	\$ 120,363	\$ (6,951)	\$ -	\$ 113,412

NOTE D – NON-CURRENT LIABILITIES

Non-current liabilities are comprised of Section 8 self-sufficiency accounts and the non-current portion of accrued compensated absences.

The total non-current liabilities at the beginning of the year were \$48,827. The total additions during the year were \$13,039. The total at the end of the year was \$61,866.

NOTE E - RETIREMENT PLAN

Certain full-time employees are participants in the Florida Retirement System (System), a multiple employer, cost-sharing public retirement system. The System, which is controlled by the State Legislature and administered by the State of Florida, Division of Retirement, covers approximately 625,000 full-time employees of various governmental units within the State of Florida. Participants can choose from two options: the Florida Retirement System Pension Plan or the Florida Retirement System Investment Plan.

The Pension Plan provides for vesting of benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 or with 30 years of service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years of service credit where average compensation is computed as the average of an individual's five highest years of earnings. Employees are not required to contribute to the Pension Plan.

HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE E - RETIREMENT PLAN (continued)

The Investment Plan provides for vesting after one year of creditable service. Retirement benefits are based on the employee's account balance. Employees are not required to contribute to the Investment Plan.

Hernando County Housing Authority has no responsibility to the System other than to make the periodic payments required by the state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and requires supplementary information for the System. The report may be obtained by writing to Florida Division of Retirement, 2639 Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Participating employer contributions are based upon state-wide rates established by the State of Florida. These rates, which include the health insurance subsidy contributions of 1.11% and an administrative and educational plan fee of .05%, are applied to employee salaries as follows: regular employees – 9.85%; senior management – 13.12%. Hernando County Housing Authority's contributions made during the year ending September 30, 2009 was \$16,753, equal to the actuarially determined required contribution requirements for the year. The Authority has determined, in accordance with GASB Statement No. 27, that there was no pension liability before or at transition.

NOTE F - COMMITMENTS AND CONTINGENCIES

Federal Subsidies and Grants

The Authority receives a substantial amount of its support from the Federal government in the form of subsidies and grants. If a significant reduction in the level of this support were to occur, it may have an effect on the Authority's programs and activities.

Government grants require the fulfillment of certain conditions as set forth in laws, rules, regulations, and grant agreements. Failure to fulfill the conditions could result in the return of funds to grantors. The Authority's management believes that disallowances, if any, would be immaterial.

NOTE G – SUBSEQUENT EVENTS

The Authority entered into a ground lease agreement with Magnolia Gardens, LTD during the 2009 fiscal year. This agreement is to revitalize the property into sixty elderly rental units, to be known as Magnolia Gardens. The Authority selected NRP Florida Development, LLC to serve as its developer for the development. A PLP loan of \$500,000 from Federal Housing Finance Corporation was approved in fiscal year 2010 for the construction of Magnolia Gardens.

SUPPLEMENTAL INFORMATION

HERNANDO COUNTY HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
SCHEDULE OF NET ASSETS
September 30, 2009

LINE ITEM NO.	ACCOUNT DESCRIPTION	CFDA NO. 14.871 HOUSING CHOICE VOUCHERS PROGRAM	STATE/ LOCAL PROGRAM	BUSINESS ACTIVITIES	SUBTOTAL	ELIMINATIONS	TOTAL
ASSETS							
Current Assets:							
111	Cash - unrestricted	\$ 448,609	\$ 166,427	\$ 288,466	\$ 903,502	\$ -	\$ 903,502
113	Cash - other restricted	181,154	-	-	181,154	-	181,154
100	Total Cash	<u>629,763</u>	<u>166,427</u>	<u>288,466</u>	<u>1,084,656</u>	<u>-</u>	<u>1,084,656</u>
Other Current Assets:							
121	Accounts receivable - PHA projects	9,355	-	-	9,355	-	9,355
124	Accounts receivable - other governments	-	16,971	-	16,971	-	16,971
128	Accounts receivable - fraud recovery	15,185	-	-	15,185	-	15,185
128.1	Allowance for doubtful accounts - fraud	(13,667)	-	-	(13,667)	-	(13,667)
142	Prepaid expenses and other assets	1,486	950	-	2,436	-	2,436
144	Interprogram - due from other funds	325,416	103,568	-	428,984	(428,984)	-
	Total Other Current Assets	<u>337,775</u>	<u>121,489</u>	<u>-</u>	<u>459,264</u>	<u>(428,984)</u>	<u>30,280</u>
150	Total Current Assets	<u>967,538</u>	<u>287,916</u>	<u>288,466</u>	<u>1,543,920</u>	<u>(428,984)</u>	<u>1,114,936</u>
Non-current Assets:							
Capital Assets:							
161	Land	-	104,158	-	104,158	-	104,158
164	Furniture and equipment - administration	41,415	-	-	41,415	-	41,415
166	Accumulated depreciation	(32,161)	-	-	(32,161)	-	(32,161)
160	Capital Assets - Net	<u>9,254</u>	<u>104,158</u>	<u>-</u>	<u>113,412</u>	<u>-</u>	<u>113,412</u>
180	Total Non-current Assets	<u>9,254</u>	<u>104,158</u>	<u>-</u>	<u>113,412</u>	<u>-</u>	<u>113,412</u>
190	TOTAL ASSETS	<u>\$ 976,792</u>	<u>\$ 392,074</u>	<u>\$ 288,466</u>	<u>\$ 1,657,332</u>	<u>\$ (428,984)</u>	<u>\$ 1,228,348</u>
LIABILITIES AND NET ASSETS							
Current Liabilities:							
312	Accounts payable - ≤ 90 days	\$ 7,792	\$ 2,988	\$ 31,882	\$ 42,662	\$ -	\$ 42,662
321	Accrued payroll	3,979	2,486	-	6,465	-	6,465
322	Accrued compensated absences - current portion	7,112	4,562	-	11,674	-	11,674
332	Accounts payable - PHA projects	2,753	-	-	2,753	-	2,753
347	Interprogram - due to other funds	103,568	241,272	84,144	428,984	(428,984)	-
310	Total Current Liabilities	<u>125,204</u>	<u>251,308</u>	<u>116,026</u>	<u>492,538</u>	<u>(428,984)</u>	<u>63,554</u>
Non-current Liabilities:							
353	Non-current liabilities - other	50,191	-	-	50,191	-	50,191
354	Accrued compensated absences - non current	7,113	4,562	-	11,675	-	11,675
350	Total Non-current Liabilities	<u>57,304</u>	<u>4,562</u>	<u>-</u>	<u>61,866</u>	<u>-</u>	<u>61,866</u>
300	Total Liabilities	<u>182,508</u>	<u>255,870</u>	<u>116,026</u>	<u>554,404</u>	<u>-</u>	<u>125,420</u>
Net Assets:							
508.1	Invested in capital assets - net of related debt	9,254	104,158	-	113,412	-	113,412
511.1	Restricted net assets	130,963	-	-	130,963	-	130,963
512.1	Unrestricted net assets	654,067	32,046	172,440	858,553	-	858,553
513	Total Net Assets	<u>794,284</u>	<u>136,204</u>	<u>172,440</u>	<u>1,102,928</u>	<u>-</u>	<u>1,102,928</u>
600	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 976,792</u>	<u>\$ 392,074</u>	<u>\$ 288,466</u>	<u>\$ 1,657,332</u>	<u>\$ -</u>	<u>\$ 1,228,348</u>

HERNANDO COUNTY HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2009

LINE ITEM NO.	ACCOUNT DESCRIPTION	CFDA NO. 14.871 HOUSING CHOICE			TOTAL	ELIMINATIONS	TOTAL
		VOUCHERS PROGRAM	STATE/ LOCAL PROGRAM	BUSINESS ACTIVITIES			
REVENUE							
70600	HUD PHA operating grants	\$ 1,860,657	\$ -	\$ -	\$ 1,860,657	\$ -	\$ 1,860,657
70800	Other government grants	-	106,073	-	106,073	-	106,073
71100	Investment income - unrestricted	12,938	454	1,244	14,636	-	14,636
71400	Fraud recovery	847	-	-	847	-	847
71500	Other revenue	911,299	176	-	911,475	(835,664)	75,811
72000	Investment income - restricted	12,938	-	-	12,938	-	12,938
70000	Total Revenue	2,798,679	106,703	1,244	2,906,626	(835,664)	2,070,962
EXPENSES							
Administrative:							
91100	Administrative salaries	155,683	21,878	-	177,561	-	177,561
91200	Auditing fees	15,343	-	-	15,343	-	15,343
91500	Employee benefit contributions - administrative	52,218	21,854	-	74,072	-	74,072
91600	Office expenses	34,570	26,328	-	60,898	-	60,898
91700	Legal fees	2,000	-	-	2,000	-	2,000
91800	Travel	2,146	494	-	2,640	-	2,640
91900	Other	6,284	293	98,811	105,388	-	105,388
Utility Expenses:							
93100	Water/Sewer	306	306	-	612	-	612
93200	Electric	1,107	1,107	-	2,214	-	2,214
General Expenses:							
96120	Liability insurance	1,339	6,137	-	7,476	-	7,476
96130	Workmen's compensation	-	-	-	-	-	-
96140	All other insurance	600	600	-	1,200	-	1,200
96200	Other general expense	15,724	-	-	15,724	-	15,724
96600	Bad debt expense - other	14,463	-	-	14,463	-	14,463
96900	Total Operating Expenses	301,783	78,997	98,811	479,591	-	479,591
97000	Excess of Operating Revenue Over (Under) Operating Expenses	2,496,896	27,706	(97,567)	2,427,035	(835,664)	1,591,371
97300	Housing assistance payments	1,902,372	-	-	1,902,372	-	1,902,372
97350	HAP portability-in	835,664	-	-	835,664	(835,664)	-
97400	Depreciation expense	6,951	-	-	6,951	-	6,951
90000	Total Expenses	3,046,770	78,997	98,811	3,224,578	(835,664)	2,388,914
OTHER FINANCING SOURCES (USES)							
10010	Transfers in	-	-	-	-	-	-
10020	Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)							
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(248,091)	27,706	(97,567)	(317,952)	-	(317,952)
MEMO ACCOUNT INFORMATION							
11030	Net Assets Beginning of Year	1,042,375	108,498	270,007	1,420,880	-	1,420,880
	Net Assets End of Year	\$ 794,284	\$ 136,204	\$ 172,440	\$ 1,102,928	\$ -	\$ 1,102,928

HERNANDO COUNTY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 2009

	<u>CFDA CSFA Number</u>	<u>Identifying Number</u>	<u>Beginning (Receivable) Payable</u>	<u>Cash Received</u>	<u>Expended</u>	<u>Ending (Receivable) Payable</u>
FEDERAL ASSISTANCE - DIRECT						
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Lower income housing assistance program:						
Annual contributions,						
Section 8 Housing Choice						
Voucher Program						
	14.871	ACC A-3608	\$ -	\$ 9,761	\$ 9,761	\$ -
		FSS coordinator	-	1,850,896	1,850,896	-
	14.871	ACC A-3608	-	-	-	-
		Voucher Program	-	-	-	-
		Total	<u>\$ -</u>	<u>\$ 1,860,657</u>	<u>\$ 1,860,657</u>	<u>\$ -</u>
STATE ASSISTANCE						
STATE OF FLORIDA, FLORIDA HOUSING FINANCE CORPORATION						
Passed Through:						
Hernando County, Florida						
State Housing Initiatives						
	52.901	None	<u>\$ (26,626)</u>	<u>\$ 116,328</u>	<u>\$ 106,673</u>	<u>\$ (16,971)</u>

SUPPLEMENTAL REPORTS

**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***

Board of Commissioners
Hernando County Housing Authority
Brooksville, Florida

We have audited the financial statements of the business-type activities of Hernando County Housing Authority as of and for the year ended September 30, 2009, and have issued our report thereon dated June 21, 2010. We conducted our 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

In planning and performing our audit, we considered Hernando County Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hernando County Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hernando County Housing Authority'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.

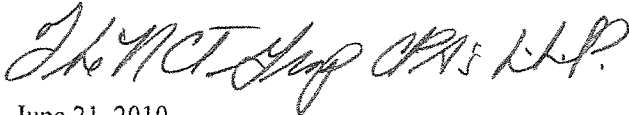
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, 2009-B-1 and 2009-B-2. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hernando County Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-C-1 and 2006-C-1.

We noted certain matters that we reported to management of Hernando County Housing Authority in a separate letter dated June 21, 2010.

This report is intended solely for the information and use of management, Board of Commissioners, others within the Hernando County Housing Authority, and is not intended to be and should not be used by anyone other than these specified parties.



June 21, 2010

**Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance With OMB Circular A-133**

Board of Commissioners
Hernando County Housing Authority
Brooksville, Florida

Compliance

We have audited the compliance of Hernando County Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. Hernando County Housing Authority'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 Hernando County Housing Authority's management. Our responsibility is to express an opinion on Hernando County Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hernando County Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hernando County Housing Authority's compliance with those requirements.

In our opinion, Hernando County Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2006-C-1.

Internal Control over Compliance

Management of Hernando County Housing Authority 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 our audit, we considered Hernando County Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of Hernando County Housing Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2009-C-1 to be a significant deficiency.

Hernando County Housing Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Hernando County Housing Authority's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Commissioners, others within the Hernando County Housing Authority, and 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.



June 21, 2010

HERNANDO COUNTY HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
September 30, 2009

Significant Control Deficiencies – Material Weaknesses

2006-B-1 – Out of Balance Condition of General Ledger – Transactions not Recorded in Conformity with Accounting Principles Generally Accepted in the United States of America

Last year the findings included a discussion of how the audit procedures disclosed that the transactions that went through the bank accounts during the year were not being recorded properly in the general ledger, causing the trial balances for each individual program to be out of balance.

In addition it was noted that Housing Assistance Payments were not being recorded in accordance with accounting principles generally accepted in the United States of America. The Housing Assistance payments were not being recorded at the time the checks were written but were being recorded as expense at the time the checks cleared the bank. Therefore the Authority is not able to identify all checks that may have been written but have not cleared the bank. It was also noted that several checks that had been on the outstanding checklists for well over 90 days.

The finding also pointed out that the Authority is attempting to pool our cash resources in order to maximize our earning potential. However, the individual bank accounts that were established for each individual program were not being used for their intended purpose and as a result cash was being commingled.

The finding also discussed that the individual bank account balances were not being swept into the sweep account and invested overnight thereby reducing the earning potential.

In addition the audit disclosed that the bank reconciliation process in use does not properly reconcile the bank balance to the general ledger and the outstanding check list did not include all checks that may have been outstanding.

Status:

This finding was properly addressed during the current year.

HERNANDO COUNTY HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
September 30, 2009

Significant Control Deficiencies – Material Weaknesses (continued)

2006-B-2 – Portable Vouchers

Last year the audit disclosed that the Authority did not have adequate internal controls over the processing of portable vouchers from the point of accepting the portable voucher through the billing and collection process. The Authority had set up a new fund in order to keep track of the billings and collections for the portable vouchers, however, the balances in these accounts were inception to date balances that included several years' worth of portable vouchers.

Status:

This finding was properly addressed during the current year.

2006-B-3 – Journal Entries

Last year the audit disclosed that journal entries are not properly supported. We also noted that journal entries are not being reviewed and approved by management.

Status:

This finding was properly addressed during the current year.

2008-B-1 – Signature Stamps

Last year the audit disclosed that signature stamps for the Board Chairman and Executive Director are kept by the Executive Director. We noted that the Executive Director uses both stamps when signing cash disbursements.

Status:

This finding was properly addressed during the current year.

Control Deficiency

2006-C-1 – Section 8 Housing Choice Voucher Program – Quality Control Re-inspections

Last year the audit disclosed that all Housing Quality Standard inspections were being performed by the executive director and that there were no quality control re-inspections being performed.

Status:

This finding was not properly addressed during the year and the finding has been repeated for the current year in the Schedule of Findings and Questioned Costs.

HERNANDO COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2009

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Internal control over financial reporting:

Type of auditor's report issued:	Unqualified		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> Yes	<u> </u> No	
Non-compliance material to the financial statements noted?	<u> </u> Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> Yes	<u> </u> No	
Type of auditor's report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u> X </u> Yes	<u> </u> No	

Identification of major programs:

<u>CFDA No.</u>	<u>Name of Federal program or cluster</u>
14.871	Section 8 Housing Choice Voucher Program

Dollar threshold used to distinguish between type A and type B programs	\$ 300,000		
Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No	

HERNANDO COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2009

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Control Deficiencies

2009-B-1 – Journal Entries

Criteria-

The Authority is required to maintain its accounting records on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

The Authority is also responsible for designing and maintaining internal controls that allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition-

Our audit procedures disclosed that journal entries are not being posted or prepared throughout the year. We noted that all of the journal entries for the year were done on September 30, 2009.

Effect-

The Authority has not properly designed internal controls that allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Recommendation-

Journal entries should be posted throughout the year in order to prepare accurate monthly financial statements.

Management Response-

The housing authority agrees with the auditor's recommendation and currently prepares and records journal entries throughout the year as necessary to maintain accurate financial records.

2009-B-2 – Segregation of Duties

Criteria-

The Authority is responsible for designing and maintaining internal controls that allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition-

During our auditing procedures it was noted that the bookkeeper opens the mail (including bank statements), prepares deposits, posts entries to accounts receivable, reconciles the bank statements, and posts entries to the general ledger.

**HERNANDO COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2009**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

Significant Control Deficiencies (continued)

2009-B-2 – Segregation of Duties (continued)

Effect-

The Authority has not properly segregated job duties causing internal controls to be ineffective.

Recommendation-

We recommend that the Authority segregate some of the bookkeeper's job duties, as reasonably possible with other employees.

Management Response-

Due to the small staff of the housing authority, separation of duties is not always possible. The housing authority has contracted with a fee accountant to accomplish further separation of duties to successfully implement effective internal controls of accounting functions.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM

Significant Control Deficiencies

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FAMILY SELF SUFFICIENCY PROGRAM – CFDA 14.871**

2009-C-1 – Family Self Sufficiency Program – Journal Entries

Criteria-

According to HUD regulations, the Authority is required to prorate investment income on the FSS accounts based on the family's FSS balance at the end of the period for which the investment income is credited.

Condition-

During our testing of the FSS accounts, we noted that the investment income and credits were not credited to the FSS accounts on a periodic basis, but rather in one journal entry at year end.

Effect-

Investment income that was required to be credited during the period in which it was earned was not done.

Recommendation-

We recommend that journal entries be done quarterly in order to record investment income according to HUD regulations.

**HERNANDO COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

September 30, 2009

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM
(continued)**

Significant Control Deficiencies (continued)

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FAMILY SELF SUFFICIENCY PROGRAM – CFDA 14.871 (continued)**

2009-C-1 – Family Self Sufficiency Program – Journal Entries (continued)

Management Response-

The housing authority agrees with the auditor recommendation and will record investment income quarterly to the FSS accounts.

Control Deficiencies

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM – CFDA 14.871**

2006-C-1 – Section 8 Housing Choice Voucher Program – Quality Control Re-inspections

Criteria-

According to HUD regulations the Authority is responsible for performing Housing Quality Inspections in order to ensure that tenants are residing in units that are safe and sanitary. In order to ensure that the inspections performed are being performed in accordance with specified housing quality standards the Authority is also responsible for performing re-inspections for quality control purposes.

Condition-

Our audit procedures again disclosed that all Housing Quality Standard inspections are being performed by the executive director and that there are no quality control re-inspections being performed.

Effect-

Required quality control re-inspections are not being performed.

Recommendation-

We continue to recommend that the Authority make arrangements with the neighboring housing authority to ensure that such re-inspections are performed. We further recommend that the results of the comparisons between the original inspection and the re-inspection be in writing and provided by the neighboring housing authority directly to the Board Chair for review.

HERNANDO COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2009

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM
(continued)

Control Deficiencies (continued)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM – CFDA 14.871 (continued)

2006-C-1 – Section 8 Housing Choice Voucher Program – Quality Control Re-inspections
(continued)

Management Response-

Management agrees with this condition and will follow the recommendations as presented. The housing authority has hired additional staff to facilitate the quality control re-inspections.

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