

HERNANDO COUNTY HOUSING AUTHORITY  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2012

HERNANDO COUNTY HOUSING AUTHORITY  
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In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013 on our consideration of Herando County Housing Authority's internal control over financial reporting and on 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Herando County Housing Authority as of September 30, 2012, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

We have audited the accompanying financial statements of Herando County Housing Authority as of and for the year ended September 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Board of Commissioners  
Herando County Housing Authority  
Brooksville, Florida

INDEPENDENT AUDITORS' REPORT

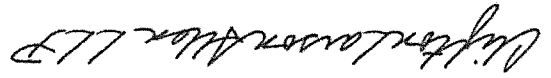
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not 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 taken as a whole. The accompanying supplementary financial data schedules 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 of the Authority. 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 not a required part of the financial statements of the Authority. The supplementary financial data schedules and the schedule 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



CliftonLarsonAllen LLP

Lakeland, Florida  
April 30, 2013

**HERNANDO COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2012**

The Hernando County Board of County Commissioners created the Hernando County Housing Authority (the Authority) 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, the Authority receives almost all its funding through the U.S. Department of Housing and Urban Development (HUD). Therefore, the Authority 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.

The Authority 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, "The Authority 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, 2012. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Since the last audit period, year ended September 30, 2011, 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, 2012 by \$982,923 (net assets).
- The Authority's cash balance as of September 30, 2012 was \$986,227 representing a decrease of \$232,686 from September 30, 2011.
- The Authority had operating revenues of \$3,065,053 and operating expenses of \$3,331,557 for the year ended September 30, 2012.

HERNANDO COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2012

**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:

- **Balance Sheet** – 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 Authority 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 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  
YEAR ENDED SEPTEMBER 30, 2012**

**Analysis of Net Assets (Balance Sheet)**

	September 30, 2012	September 30, 2011	Variance \$	Variance %
<b>ASSETS</b>				
Current Assets - Unrestricted	\$ 863,927	\$ 953,005	\$ (89,078)	-9%
Current Assets - Restricted	186,083	359,860	(173,777)	-48%
Net Capital Assets	104,224	104,768	(544)	-1%
<b>Total Assets</b>	<u>\$ 1,154,234</u>	<u>\$ 1,417,633</u>	<u>\$ (263,399)</u>	<u>-19%</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Current Liabilities	\$ 11,903	\$ 13,598	\$ (1,695)	-12%
Non-Current Liabilities	159,408	155,705	3,703	2%
Total Liabilities	<u>171,311</u>	<u>169,303</u>	<u>2,008</u>	<u>1%</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	104,224	104,768	(544)	-1%
Restricted Net Assets	186,083	359,860	(173,777)	-48%
Unrestricted Net Assets	692,616	783,702	(91,086)	-12%
Total Net Assets	<u>982,923</u>	<u>1,248,330</u>	<u>(265,407)</u>	<u>-21%</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,154,234</u>	<u>\$ 1,417,633</u>	<u>\$ (263,399)</u>	<u>-19%</u>

Total assets for fiscal year-end 2012 was \$1,154,234 and at fiscal year-end 2011 the amount was \$1,417,633. This represents a net decrease of \$263,399.

Current assets decreased by \$262,855. Unrestricted cash decreased by \$58,909 primarily due to an increase in operating expenses during the year.

Net capital assets decreased by \$544 due to current year depreciation expense.

Current liabilities decreased by \$1,695. The Authority had no loans outstanding at the end of the year. Accounts payable increased by \$928.

Noncurrent liabilities increased by \$3,703. During fiscal year 2011 the Authority received a \$150,000 ground lease payment. The ground lease term is 52 years. As of September 30, 2012, there was \$143,389 that was recorded as deferred revenue related to the ground lease payment.

**HERNANDO COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2012**

**Analysis of 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 fiscal years ended 2012 and 2011:

	2012	2011	Year Ended September 30, 2011	Variance	%
<b>OPERATING REVENUE</b>					
HUD Grants	\$ 1,911,804	\$ 2,110,437	\$ (198,633)	-9%	
Other Government Grants	38,124	27,222	10,902	40%	
Fraud Recovery	25,957	-	25,957	-	
Other Revenue	1,089,168	1,052,704	36,464	3%	
Total Operating Revenue	<u>3,065,053</u>	<u>3,190,363</u>	<u>(125,310)</u>	-4%	
<b>OPERATING EXPENSES</b>					
Administrative	388,805	344,258	44,547	13%	
Insurance	8,270	8,731	(461)	-5%	
General Expense	54,988	35,296	19,692	56%	
Housing Assistance Payments	2,878,950	2,644,713	234,237	9%	
Depreciation Expense	544	4,322	(3,778)	-87%	
Total Operating Expenses	<u>3,331,557</u>	<u>3,037,320</u>	<u>294,237</u>	10%	
<b>OPERATING INCOME (LOSS)</b>	<u>(266,504)</u>	<u>153,043</u>	<u>(419,547)</u>	-274%	
<b>NON-OPERATING REVENUE</b>					
Investment Income - Unrestricted	793	1,699	(906)	-53%	
Investment Income - Restricted	304	317	(13)	-4%	
Total Non-Operating Revenue	<u>1,097</u>	<u>2,016</u>	<u>(919)</u>	-46%	
<b>CHANGE IN NET ASSETS</b>	<u>(265,407)</u>	<u>155,059</u>	<u>(420,466)</u>	-271%	
Net Assets - Beginning of Year	1,248,330	1,152,035	96,295	8%	
Prior Period Adjustment	-	(58,764)	58,764	-100%	
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 982,923</u>	<u>\$ 1,248,330</u>	<u>\$ (265,407)</u>	-21%	

Overall operating revenue decreased \$125,310 from the prior year. This is attributed to HUD grants decreasing by \$198,633 from the prior year as a result of revisions by HUD in the funding level for the current year. Other government grants increased by \$10,902. This is due to activity in the Authority's SHIP program. Total revenue from the SHIP program was \$38,124. Fraud revenue in the amount of \$25,957 was discovered during the current year. Other income increased by \$36,464 primarily due to the fraud revenue received during the year.



HERNANDO COUNTY HOUSING AUTHORITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED SEPTEMBER 30, 2012

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

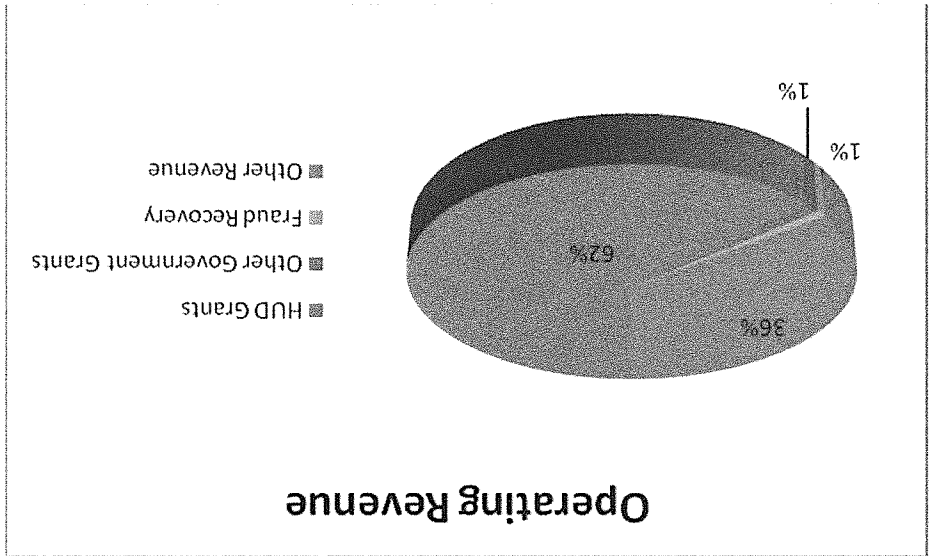
Overall operating expenses increased by \$294,237.

Administrative expenses increased by \$44,547 primarily due to increases in benefit costs and a new employee.

General expenses increased by \$19,692 due expenses incurred by the Authority related to the closing of the Magnolia Gardens I, LTD development.

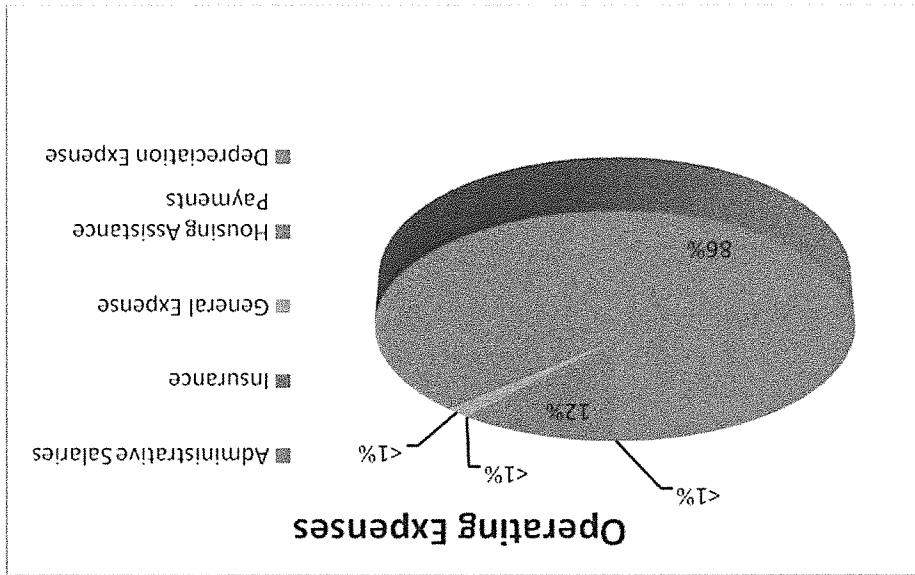
Housing Assistance payments increased \$234,237 due to local economic conditions and the fact that the income of the tenants had lower income levels this year.

The diagram below illustrates the percentage of revenues generated from these programs by the Authority during fiscal year 2012.



**HERNANDO COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2012**

The diagram below illustrates the percentage of expenses during fiscal year 2012:



**Future Plans**

The Hernando County Housing Authority established the goals of:

- 1) 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.
- 2) 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  
BALANCE SHEET  
SEPTEMBER 30, 2012**

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash - Unrestricted	800,144
Cash - Restricted	186,083
Accounts Receivable - Miscellaneous	50,323
Prepaid Expenses and Other Assets	13,460
Total Current Assets	1,050,010
<b>CAPITAL ASSETS</b>	
Land	104,158
Furniture and Equipment - Administration	41,415
Less: Accumulated Depreciation	(41,349)
Total Capital Assets	104,224
Total Assets	\$ 1,154,234
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable - ≤ 90 Days	2,913
Accrued Payroll	2,426
Accrued Compensated Absences - Current Portion	6,564
Total Current Liabilities	11,903
<b>NONCURRENT LIABILITIES</b>	
Deferred Revenue	143,389
Accrued Compensated Absences - Noncurrent	16,019
Total Noncurrent Liabilities	159,408
Total Liabilities	171,311
<b>NET ASSETS</b>	
Invested in Capital Assets	104,224
Restricted Net Assets	186,083
Unrestricted Net Assets	692,616
Total Net Assets	982,923
Total Liabilities and Net Assets	\$ 1,154,234

See accompanying Notes to Financial Statements.

**HERNANDO COUNTY HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2012**

	<b>OPERATING REVENUE</b>
	HUD PHA Operating Grants
	Other Government Grants
	Fraud Recovery
	Other Revenue
	Total Operating Revenue
	<b>OPERATING EXPENSES</b>
	Administrative
	Insurance
	General
	Housing Assistance Payments
	Depreciation Expense
	Total Operating Expenses
	<b>OPERATING LOSS</b>
	<b>NON-OPERATING REVENUE</b>
	Investment Income - Unrestricted
	Investment Income - Restricted
	Total Non-Operating Revenue
	<b>CHANGE IN NET ASSETS</b>
	Net Assets - Beginning of Year
	<b>NET ASSETS - END OF YEAR</b>

	\$ 1,911,804
	38,124
	25,957
	1,089,168
	<u>3,065,053</u>
	388,805
	8,270
	54,988
	2,878,950
	544
	<u>3,331,557</u>
	(266,504)
	793
	304
	<u>1,097</u>
	(265,407)
	<u>1,248,330</u>
	<u>\$ 982,923</u>

See accompanying Notes to Financial Statements.

**HERNANDO COUNTY HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2012**

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
<b>Receipts:</b>	
Operating Subsidy and Grant Receipts	1,911,804
Other Governmental Subsidy and Grant Receipts	38,124
Other Income Receipts	1,100,754
Total Receipts	<u>3,050,682</u>
<b>Disbursements:</b>	
Payments to and Benefits for Employees	258,036
Payments to Suppliers	147,479
Payments to Landlords	2,878,950
Total Disbursements	<u>3,284,465</u>
Net Cash From Operating Activities	(233,783)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income - Unrestricted	793
Investment Income - Restricted	304
Net Cash From Investing Activities	<u>1,097</u>
<b>NET CHANGE IN CASH</b>	(232,686)
Cash - Beginning of Year	1,218,913
<b>CASH - END OF YEAR</b>	<u>\$ 986,227</u>
<b>REPORTED AS</b>	
Cash - Unrestricted	800,144
Cash - Restricted	186,083
Total Cash, End of Year	<u>\$ 986,227</u>

*See accompanying Notes to Financial Statements.*

**HERNANDO COUNTY HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2012**

<b>RECONCILIATION OF OPERATING LOSS TO</b>	
<b>NET CASH FROM OPERATING ACTIVITIES</b>	
Operating Loss	(266,504)
Adjustments to Reconcile Operating Income to	
Net Cash Provided from Operating Activities:	
Depreciation Expense	544
Vendor Overpayment Receivable Settlement	47,637
(Increase) Decrease in:	
Accounts Receivable - PHA Projects	34
Accounts Receivable - Fraud Recovery	(11,520)
Prepaid Expenses and Other Assets	(5,982)
Increase (Decrease) in:	
Accounts Payable ≤ 90 Days	928
Accrued Payroll	245
Deferred Revenue	(2,885)
Accrued Compensated Absences	3,720
Net Cash Provided from Operating Activities	<u>(233,783)</u>

See accompanying Notes to Financial Statements.

HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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 (GASB) 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 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 GASB. 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 has two blended component units.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

HCHA-Magnolia, LLC

The Authority is the sole member of HCHA-Magnolia, LLC, a Florida Limited Liability Company. HCHA-Magnolia, LLC is a general partner in Magnolia Gardens I, LTD, a Florida Limited Liability Company that was formed to develop a 60-unit elderly low-income housing complex. HCHA-Magnolia, LLC has a minority interest (0.01%) in the Magnolia Gardens I, LTD. Other than owning a minority interest in Magnolia Gardens I, LTD, the entity does not conduct any other business.

Hernando Housing Development Corporation, Inc. (HHDC)

HHDC is an instrumentality of the Authority for the purpose of assisting in providing low and moderate income housing within the State of Florida, Hernando County and the City of Brooksville, Florida. HHDC was created July 23, 1985 and shall exist for a period of 50 years. Since the inception of HHDC, the corporation has not had any activity.

Basis of Presentation and Accounting

Proprietary Fund

Based on compelling reasons offered by HUD, 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.

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.



HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program/Activity Accounting (Continued)

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.

Section 8 Housing Choice Vouchers (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 FL137.

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.

Other Business Activity

These activities account for the operations of various housing programs to assist low-income families. Other business activities may be funded with private and public grants or from other non-restricted sources of revenue.

Budgets

Budgets are prepared on an annual basis for each 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.

Restricted Assets

Certain assets are classified as restricted assets in the accompanying balance sheet 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 funds restricted for housing assistance payments and FSS participant escrow funds under the Section 8 Housing Choice Vouchers program.

**HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets are recorded at cost if their cost exceeds \$1,000. Donated assets are recorded at fair market value at the date of donation. Routine repairs and maintenance are charged against operations.

Depreciation is calculated using the straight-line method over the useful life of the related asset. The useful life established for administrative equipment is five years. When assets are disposed of the related cost and accumulated depreciation are relieved and any gain or loss is included in change in net assets.

**Compensated Absences**

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

	Maximum
Carryover	240
in Hours	360
Date of Hire to End of 5th Year	480
Start of 6th Year to End of 10th Year	
Start of 11th Year and Over	

Employees 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 not carried forward and is not paid to the employee upon separation from the Authority.

**Deferred Revenue**

The Authority received a \$150,000 ground lease payment during the year ended September 30, 2011. The ground lease term is 52 years. Lease income is recognized over the term of the ground lease.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of related accumulated depreciation.

Net assets are reported as restricted when there are limitations imposed on their use either through laws or regulations or through external restrictions imposed by creditors or grantors. The Authority applies restricted resources first when an expense or expenditure is incurred for the purpose for which both restricted and unrestricted net assets are available.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 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 Section 8 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.

**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.

**Income Taxes**

The Authority is a public body corporate and politic exempt from federal and state income taxes.

**Adoption of New Accounting Principle**

The Authority has adopted Governmental Accounting Standards Board (GASB) 61 – *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The effective date of the implementation is October 1, 2011. No adjustments or restatements are required as a result of the adoption of this new accounting standard.

HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

NOTE 2 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, 2012 were \$995,867 and the total carrying value was \$986,227 at September 30, 2012.

**HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 3 CAPITAL ASSETS**

The changes in capital assets for the year ended September 30, 2012 were as follows:

Balance Beginning of Year	Additions	Deletions	Balance End of Year
\$ 104,158	-	-	\$ 104,158
Not Being Depreciated:			
41,415	-	-	41,415
Being Depreciated:			
Furniture and Equipment - Administration			
40,805	544	-	41,349
Less Accumulated Depreciation:			
Furniture and Equipment - Administration			
610	(544)	-	66
Total Capital Assets being Depreciated, Net			
\$ 104,768	\$ (544)	\$ -	\$ 104,224
Capital Assets, Net			

On June 16, 2010, the Authority entered into a 52-year ground lease with Magnolia Gardens I, LTD to lease a parcel of land in Brooksville, Florida. The land is recorded at a cost of \$104,158.

HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

NOTE 4 RETIREMENT PLAN

All full-time employees are participants in the Florida Retirement System (FRS), a multiple employer, cost-sharing public retirement system. The FRS, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement, covers approximately 650,000 full-time employees of various governmental units within the State of Florida.

For employees enrolled in the System on or after July 1, 2011, vesting of benefits begins after eight years of creditable service. Normal retirement benefits are available to these employees who retire at or after age 65 with eight or more 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 eight highest years of earnings.

Effective with the State fiscal year 2002, the State created a new retirement plan within the System; the Public Employee Optional Retirement Program (the FRS Investment Plan). Any regular member, not in the Deferred Retirement Option Program (DROF) is eligible to participate in the FRS Investment Plan. Employer contributions are made to the FRS Investment Plan, which holds the contributions in individual investment accounts for each participating employee. The employee directs the investments in their account amount the investments funds available through the Plan. These investment accounts vest to the employee after 1 year of service and may be withdrawn by the employee 90 days after termination or retirement from a participating employer in the System. Alternately, the funds may remain in the investment account until the employee reaches normal retirement age or some earlier date, at the employee's choosing. Employees are not required to contribute to the FRS Investment Plan.

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

Effective July 1, 2011, the State of Florida required all employees to contribute 3% of their salaries to the FRS Pension Plan. Participating employer contributions are based upon state-wide rates established by the State of Florida. From July 1, 2011 through June 30, 2012, these rates, which include the health insurance subsidy contributions of 1.11%, and the 0.03% administrative/education fee, are applied to employee salaries as follows: regular employees - 4.91% and deferred retirement option plan - 4.42%. The employer contribution rates, effective July 1, 2012, which include the health insurance subsidy of contributions of 1.11%, and the 0.03% administrative/education fee, are applied to employee salaries as follows: regular employees - 5.18% and deferred retirement option plan - 5.44%. The Authority's contributions made during the years ended September 30, 2012, 2011 and 2010 were \$9,674, \$17,524, and \$14,978, respectively, equal to the actuarially determined contribution requirements for each year.

**HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 5 CHANGES IN NONCURRENT LIABILITIES**

The changes in noncurrent liabilities for the year ended March 31, 2012 were as follows:

Balance	Beginning	of Year	Additions	Deletions	End	Due
\$ 18,863	\$ 18,863	\$ 1,997	\$ 1,723	\$ 22,583	\$ 6,564	
of Year	of Year	of Year	of Year	of Year	of Year	of Year
\$ 18,863	\$ 1,997	\$ 1,723	\$ 22,583	\$ 6,564	Total	
Accrued Compensated Absences						

**NOTE 6 CONTINGENCIES AND ECONOMIC DEPENDENCE**

**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.

**HERNANDO COUNTY HOUSING AUTHORITY  
SUPPLEMENTARY FINANCIAL DATA SCHEDULE  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2012**

Line Item No.	Account Description	Section 8 Program	Local Program	State/Local Program	Business Activities	Total Programs
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
111	Cash - Unrestricted	\$ 573,299	\$ 37,100	\$ 189,745	\$ 800,144	
113	Cash - Other Restricted	186,083	-	-	186,083	
100	Total Cash	759,382	37,100	189,745	986,227	
<b>ACCOUNTS AND NOTES RECEIVABLE</b>						
121	Accounts Receivable - PHA Projects	38,803	-	-	38,803	
128	Fraud Recovery	13,600	-	-	13,600	
128.1	Allowance for Doubtful Accounts - Fraud	(2,080)	-	-	(2,080)	
120	Total Receivables, Net	50,323	-	-	50,323	
<b>OTHER CURRENT ASSETS</b>						
142	Prepaid Expenses and Other Assets	12,970	426	64	13,460	
150	Total Current Assets	822,675	37,526	189,809	1,050,010	
<b>NONCURRENT ASSETS</b>						
161	Capital Assets:					
164	Land	-	-	104,158	104,158	
164	Furniture and Equipment - Administration	41,415	-	-	41,415	
166	Less: Accumulated Depreciation	(41,349)	-	-	(41,349)	
160	Total Capital Assets, Net	66	-	104,158	104,224	
180	Total Noncurrent Assets	66	-	104,158	104,224	
190	Total Assets	\$ 822,741	\$ 37,526	\$ 293,967	\$ 1,154,234	
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
312	Accounts Payable - < 90 Days	2,612	273	28	2,913	
321	Accrued Payroll	2,056	287	83	2,426	
322	Accrued Compensated Absences - Current Portion	4,726	998	840	6,564	
342	Deferred Revenues	-	-	143,389	143,389	
310	Total Current Liabilities	9,394	1,558	144,340	155,292	
<b>NONCURRENT LIABILITIES</b>						
354	Accrued Compensated Absences - Noncurrent	14,179	999	841	16,019	
350	Total Noncurrent Liabilities	14,179	999	841	16,019	
300	Total Liabilities	23,573	2,557	145,181	171,311	
<b>NET ASSETS</b>						
508.1	Invested in Capital Assets - Net of Related Debt	66	-	104,158	104,224	
511.1	Restricted Net Assets	186,083	-	-	186,083	
512.1	Unrestricted Net Assets	613,019	34,969	44,628	692,616	
513	Total Net Assets	799,168	34,969	148,786	982,923	
600	Total Liabilities and Net Assets	\$ 822,741	\$ 37,526	\$ 293,967	\$ 1,154,234	



**HERNANDO COUNTY HOUSING AUTHORITY  
SUPPLEMENTARY FINANCIAL DATA SCHEDULE  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2012**

Line Item No.	Account Description	Section 8 Program	State/Local Program	Business Activities	Total Programs
70600	HUD PHA Operating Grants	\$ 1,911,804	\$ -	\$ -	\$ 1,911,804
70800	Other Government Grants	-	38,124	-	38,124
71100	Investment Income - Unrestricted	566	34	193	793
71400	Fraud Recovery	25,957	-	-	25,957
71500	Other Revenue	1,051,996	-	37,172	1,089,168
72000	Investment Income - Restricted	304	-	-	304
70000	Total Revenue	2,990,627	38,158	37,365	3,066,150
<b>EXPENSES</b>					
Administrative:					
91100	Administrative Salaries	166,323	23,670	7,425	197,418
91200	Auditing Fees	23,710	-	-	23,710
91500	Employee Benefit Contributions - Administrative	52,095	6,999	1,022	60,116
91600	Office Expenses	50,706	1,390	24	52,120
91800	Travel	1,104	29	-	1,133
91900	Other	7,600	-	46,708	54,308
91000	Total Operating - Administrative	301,538	32,088	55,179	388,805
Insurance Premiums:					
96120	Liability Insurance	2,400	-	-	2,400
96130	Workers' Compensation	4,467	-	-	4,467
96140	All Other Insurance	1,403	-	-	1,403
96100	Total Insurance Premiums	8,270	-	-	8,270
General Expenses:					
96200	Other General Expense	2,510	-	47,637	50,147
96210	Compensated Absences	-	1,997	-	1,997
96800	Severance Expense	2,844	-	-	2,844
96000	Total General Expenses	5,354	1,997	47,637	54,988
96900	Total Operating Expenses	315,162	34,085	102,816	452,063
97000	EXCESS (DEFICIENCY) OF OPERATING REVENUE	2,675,465	4,073	(65,451)	2,614,087
<b>OTHER EXPENSES</b>					
97300	Housing Assistance Payments	1,907,087	-	-	1,907,087
97350	HAP Portability-In	971,863	-	-	971,863
97400	Depreciation Expense	544	-	-	544
90000	Total Other Expenses	3,194,656	34,085	102,816	3,331,557
10000	EXCESS (DEFICIENCY) OF REVENUE	(204,029)	4,073	(65,451)	(265,407)
11030	Net Assets - Beginning of Year	1,003,197	30,896	214,237	1,248,330
<b>NET ASSETS - END OF YEAR</b>		\$ 799,168	\$ 34,969	\$ 148,786	\$ 982,923

**HERNANDO COUNTY HOUSING AUTHORITY  
 SUPPLEMENTARY FINANCIAL DATA SCHEDULE  
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)  
 YEAR ENDED SEPTEMBER 30, 2012**

Line Item No.	Account Description	Section 8 Program	State/ Local Program	Business Activities	Total Programs
11170	Administrative Fee Equity	\$ 613,019	-	-	\$ 613,019
11180	Housing Assistance Payments Equity	186,083	-	-	186,083
11190	Unit Months Available	3,550	-	-	3,550
11210	Number of Unit Months Leased	3,371	-	-	3,371
11270	Excess Cash	-	-	-	-
11610	Land Purchases	-	-	-	-
11620	Building Purchases	-	-	-	-
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	-	-	-	-
11650	Leasehold Improvements Purchases	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-

**HERNANDO COUNTY HOUSING AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 AND STATE FINANCIAL ASSISTANCE  
 YEAR ENDED SEPTEMBER 30, 2012**

CFDA / CSFA Number	Identifying Number	Expended
<b>DIRECT FEDERAL ASSISTANCE</b>		
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Section 8 Housing Choice Vouchers		
14.871	ACC - FL137	\$ 1,911,804
<hr/>		
<b>STATE ASSISTANCE</b>		
<b>STATE OF FLORIDA</b>		
<b>FLORIDA HOUSING FINANCE CORPORATION</b>		
Passed Through Hernando County, Florida: State Housing Initiatives Partnership Program		
52.901	None	\$ 34,085
<hr/>		

**HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 1 GENERAL**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal and state awards program of the Authority. The Authority reporting entity is defined in Note 1 to the Authority's basic financial statements for the year ended September 30, 2012. All federal awards received directly from federal agencies as well as federal financial awards passed through other government agencies are included in the schedule.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the accrual basis of accounting for awards recorded in the Authority's proprietary fund type which is described in Note 1 to the Authority's basic financial statements for the year ended September 30, 2012.

HUD considers the Annual Budget Authority for the Section 8 Housing Voucher Program – CFDA 14.871, to be an expenditure for the purposes of this schedule. Therefore, the amount in this schedule is the total amount received directly from HUD and not the total expenditures paid by the Authority.

**NOTE 3 CONTINGENCIES**

Grant monies received and disbursed by the Authority are for specific purposes and are subject to review by the grant or agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Authority does not believe that such disallowances, if any, would have a material effect on the financial position of the Authority.



**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 Hernando County Housing Authority (the Authority) as of and for the year ended September 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 30, 2013. 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**

Management of the Authority is responsible for establishing and maintaining effective internal control over financial planning. In planning and performing our audit, we considered the 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 the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



CliftonLarsonAllen LLP

Lakeland, Florida  
April 30, 2013

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

Board of Commissioners  
Hernando County Housing Authority  
Brooksville, Florida

**Compliance**

We have audited Hernando County Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2012. The 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 the Authority's management. Our responsibility is to express an opinion on the 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, *Auditing Standards, 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 the 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 the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which 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 items 2012-01.



**Internal Control Over Compliance**

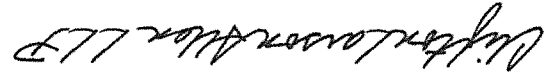
Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and question costs as item 2012-01. *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.*

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Lakeland, Florida  
April 30, 2013



HERNANDO COUNTY HOUSING AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 SEPTEMBER 30, 2012

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**  
 Type of auditor's report issued: Unqualified  
 Internal control over financial reporting: No  
 Material weaknesses identified: None reported  
 Significant deficiencies identified not considered to be a material weakness: No  
 Noncompliance material to financial statements noted: None reported

**Federal Awards Program**  
 Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk: No

Internal control over major programs: No  
 Material weaknesses identified: No  
 Significant deficiencies identified not considered to be a material weakness: Yes

Type of auditor's report on compliance for major programs: Unqualified Opinion

Audit findings disclosed that are required to be in accordance with Circular A-133, Section .510(a): Yes

Identification of major programs:

Section 8 Housing Choice Voucher Program CFDA #14.871

HERNANDO COUNTY HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2012

SECTION II – FINANCIAL STATEMENT AUDIT

There are no current year findings.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Significant Deficiency

2012-01 – SPECIAL PROVISIONS

United States Department of Housing and Urban Development  
Section 8 Housing Choice Vouchers Program (CFDA 14.871) 2012

**Condition**

During our testing of the Section 8 program, we noted certain special provision compliance deficiencies. The errors noted during our testing are summarized below:

- 1 instance of a new participant admitted to the program not in accordance with the Authority's selection policies.

- 1 instance of failure to abate a housing assistance payment when an HQS deficiency was not corrected within the specified time frame.

**Criteria**

In accordance with 24 CR sections 5.410, 982.54(d), and 982.201 through 982.207, new participants are to be admitted to the program in accordance with the PHA's applicant selection policies.

In accordance with 24 CFR section 982.158(d) and 982.404, if the correction period of a cited HQS deficiency has ended, the PHA should properly abate the housing assistance payment, or terminate the housing assistance payment contract.

**Population and Sample size**

As part of our new participant testing we reviewed 4 out of 22 program participants that were added to the program during fiscal year 2012.

As part of our HQS inspection testing we reviewed 25 out of 164 failed inspections during fiscal year 2012.

**Cause**

One program participant was admitted to the Section 8 program in a manner that was not consistent with the Authority's Section 8 Administrative Plan.

One landlord was paid for one month, while the unit did not meet quality standards required by HUD. The amount of the payment was \$574.

HERNANDO COUNTY HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FINDINGS  
SEPTEMBER 30, 2012

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**2012-01 – SPECIAL PROVISIONS (continued)**

**Effect**

The Authority was not in compliance with special provision requirements as outlined in the A-133 Compliance Supplement.

**Recommendation**

The Authority should implemented procedures to ensure special provision requirements are met.

**Corrective Action Plan**

Explanation of Disagreement with Audit Finding:  
There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

**HAP Abatement**

1. All failed HQS inspections will have a mandatory 30 days re-inspection unless a pass inspection occurs prior to the 30 days time period.

2. A copy of all failed inspection letters will go to bookkeeping so that a hold is placed on the next payment or until a pass inspection occurs.

**New Participant Admitted**

1. Housing Authority staff will more closely review/monitor all client applications taken from the waiting list.

Official Responsible for Ensuring Corrective Action Plan:  
Executive Director

Planned Completion Date for Corrective Action Plan:  
Completed

Plan to Monitor Completion of the Corrective Action Plan:

The executive director and board will monitor the follow up and execution of this corrective action plan.