

**HERNANDO COUNTY HOUSING AUTHORITY**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2013**

**HERNANDO COUNTY HOUSING AUTHORITY  
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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Hernando County Housing Authority  
Brooksville, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Hernando County Housing Authority, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Hernando County Housing Authority as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 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.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hernando County Housing Authority's basic financial statements. 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 basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.


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

Board of Commissioners  
Hernando County Housing Authority

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014 on our consideration of Hernando 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hernando County Housing Authority's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Lakeland, Florida  
June 26, 2014

**HERNANDO COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2013**

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, 2013. 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, 2012, 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, 2013 by \$1,003,406 (Net position).
- The Authority's cash balance as of September 30, 2013 was \$1,032,513 representing an increase of \$46,286 from September 30, 2012.
- The Authority had operating revenues of \$4,023,130 and operating expenses of \$4,003,556 for the year ended September 30, 2013.

**HERNANDO COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2013**

**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 Position** – 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 Position** – 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 position 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 position, 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 position and changes in net position. The Authority's net position 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 position 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, 2013**

**Analysis of Net Position (Statement of Net Position)**

	September 30,		\$ Variance	% Variance
	2013	2012		
<b>ASSETS</b>				
Current Assets - Unrestricted	\$ 955,836	\$ 863,927	\$ 91,909	11%
Current Assets - Restricted	115,763	186,083	(70,320)	-38%
Net Capital Assets	<u>104,158</u>	<u>104,224</u>	<u>(66)</u>	0%
 Total Assets	 <u>\$ 1,175,757</u>	 <u>\$ 1,154,234</u>	 <u>\$ 21,523</u>	 2%
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Current Liabilities	\$ 18,823	\$ 11,903	\$ 6,920	58%
Non-Current Liabilities	153,528	159,408	(5,880)	-4%
Total Liabilities	<u>172,351</u>	<u>171,311</u>	<u>1,040</u>	1%
<b>NET POSITION</b>				
Net Investment in Capital Assets	104,158	104,224	(66)	0%
Restricted	115,763	186,083	(70,320)	-38%
Unrestricted	<u>783,485</u>	<u>692,616</u>	<u>90,869</u>	13%
Total Net Position	<u>1,003,406</u>	<u>982,923</u>	<u>20,483</u>	2%
 Total Liabilities and Net Position	 <u>\$ 1,175,757</u>	 <u>\$ 1,154,234</u>	 <u>\$ 21,523</u>	 2%

Total assets for fiscal year-end 2013 were \$1,175,757 and at fiscal year-end 2012 the amount was \$1,154,234. This represents a net increase of \$21,523.

Current assets increased by \$21,589 primarily due to an increase of cash from operating activities.

Net capital assets decreased by \$66 due to current year depreciation expense.

Current liabilities increased by \$6,920. The Authority had no loans outstanding at the end of the year.

Noncurrent liabilities decreased by \$5,880. During fiscal year 2011 the Authority received a \$150,000 ground lease payment. The ground lease term is 52 years. As of September 30, 2013, there was \$140,504 that was recorded as unearned revenue related to the ground lease payment.

Restricted net position decreased due to less Section 8 HAP funding, causing the Authority to draw down on their reserves. Overall, the Authority had a \$20,483 increase in total net position for the year ended September 30, 2013, causing an increase in unrestricted net position.



**HERNANDO COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2013**

**Analysis of Revenue (Statement of Revenues, Expenses and Changes in Net Position)**

The following provides the programs administered by the Authority and the revenues generated from these programs during fiscal years ended 2013 and 2012:

	Year Ended September 30,		\$	%
	2013	2012	Variance	Variance
<b>OPERATING REVENUE</b>				
HUD Grants	\$ 2,614,253	\$ 1,911,804	\$ 702,449	37%
Other Government Grants	9,292	38,124	(28,832)	-76%
Fraud Recovery	3,248	25,957	(22,709)	-
Other Revenue	1,396,337	1,089,168	307,169	28%
Total Operating Revenue	<u>4,023,130</u>	<u>3,065,053</u>	<u>958,077</u>	31%
<b>OPERATING EXPENSES</b>				
Administrative	402,155	388,805	13,350	3%
Insurance	10,499	8,270	2,229	27%
General Expense	13,713	54,988	(41,275)	-75%
Housing Assistance Payments	3,577,133	2,878,950	698,183	24%
Depreciation Expense	66	544	(478)	-88%
Total Operating Expenses	<u>4,003,566</u>	<u>3,331,557</u>	<u>672,009</u>	20%
<b>OPERATING INCOME (LOSS)</b>	19,564	(266,504)	286,068	-107%
<b>NON-OPERATING REVENUE</b>				
Investment Income - Unrestricted	919	793	126	16%
Investment Income - Restricted	-	304	(304)	-100%
Total Non-Operating Revenue	<u>919</u>	<u>1,097</u>	<u>(178)</u>	-16%
<b>CHANGE IN NET POSITION</b>	20,483	(265,407)	285,890	-108%
Net Position - Beginning of Year	<u>982,923</u>	<u>1,248,330</u>	<u>(265,407)</u>	-21%
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,003,406</u>	<u>\$ 982,923</u>	<u>\$ 20,483</u>	2%

Overall operating revenue increased \$958,077 from the prior year. This is attributed to HUD grants increasing by \$702,449 from the prior year as a result of revisions by HUD in the funding level for the current year. Other revenue increased by \$307,169. This is due to community development fee revenue of \$204,231 and an increase in Section 8 other income of \$137,225, consisting primarily of port-in Housing Assistance Payment Revenue (money received from other housing authorities for administrating port in vouchers). Total revenue from the Section 8 program was \$1,189,221. Other business activity revenue amounted to \$207,116.

**HERNANDO COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2013**

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

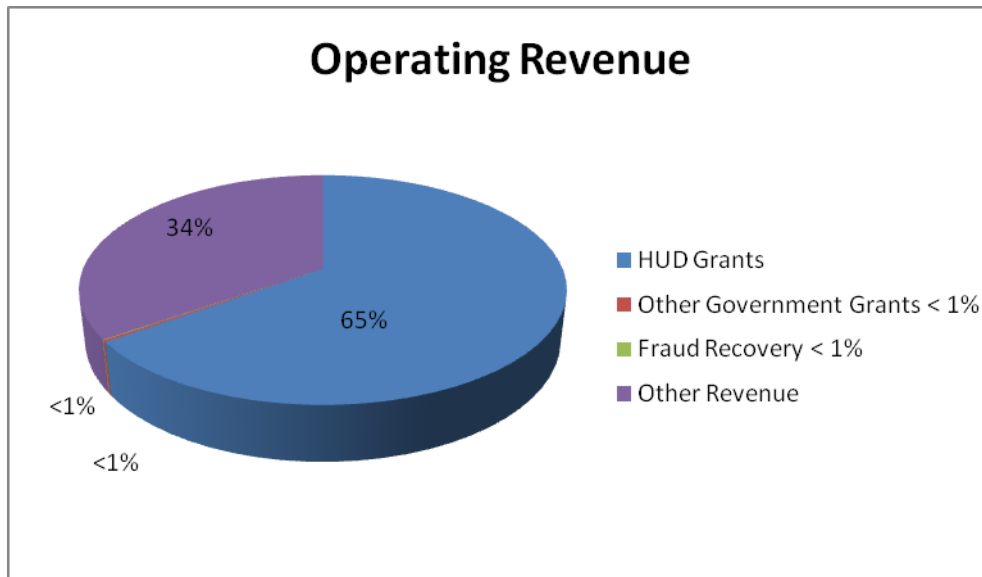
Overall operating expenses increased by \$672,009.

Administrative expenses increased by \$13,350 primarily due to increases in benefit costs and a new employee.

General expenses decreased by \$41,275 due to the decrease in cost related to the closing of the Magnolia Gardens I, LTD development.

Housing Assistance payments increased \$698,183 due to local economic conditions and the fact that the income of the tenants had lower income levels this year.

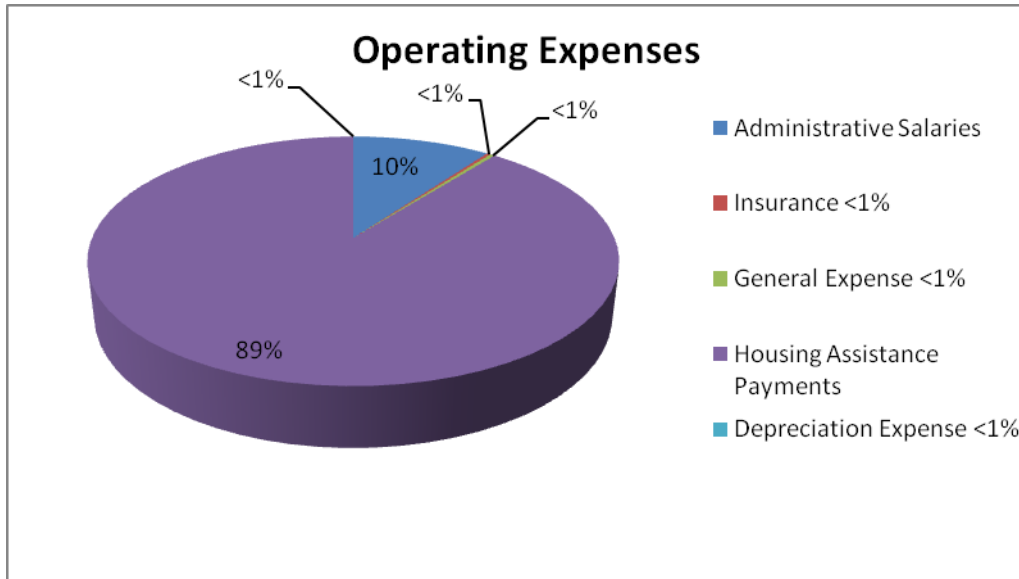
The diagram below illustrates the percentage of revenues generated from these programs by the Authority during fiscal year 2013.



**HERNANDO COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2013**

**Analysis of Expenses (Statement of Revenues, Expenses and Changes in Net Position)**

The diagram below illustrates the percentage of expenses during fiscal year 2013:



**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  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

**ASSETS**

**CURRENT ASSETS**

Cash - Unrestricted	\$	916,750
Cash - Restricted		115,763
Accounts Receivable - Miscellaneous		26,209
Prepaid Expenses and Other Assets		12,877
Total Current Assets		1,071,599

**CAPITAL ASSETS**

Land		104,158
Furniture and Equipment - Administration		41,415
Less: Accumulated Depreciation		(41,415)
Total Capital Assets		104,158

Total Assets	\$	1,175,757
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**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable	\$	1,585
Accrued Payroll		3,807
Accrued Compensated Absences - Current Portion		13,023
Accounts Payable - Other Government		408
Total Current Liabilities		18,823

**NONCURRENT LIABILITIES**

Unearned Revenue		140,504
Accrued Compensated Absences - Noncurrent		13,024
Total Noncurrent Liabilities		153,528

Total Liabilities		172,351
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**NET POSITION**

Net Investment in Capital Assets		104,158
Restricted		115,763
Unrestricted		783,485
Total Net Position		1,003,406

Total Liabilities and Net Position	\$	1,175,757
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*See accompanying Notes to Financial Statements.*

**HERNANDO COUNTY HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2013**

<b>OPERATING REVENUE</b>	
HUD PHA Operating Grants	\$ 2,614,253
Other Government Grants	9,292
Fraud Recovery	3,248
Other Revenue	1,396,337
Total Operating Revenue	4,023,130
 <b>OPERATING EXPENSES</b>	
Administrative	402,155
Insurance	10,499
General	13,713
Housing Assistance Payments	3,577,133
Depreciation Expense	66
Total Operating Expenses	4,003,566
 <b>OPERATING INCOME</b>	 19,564
 <b>NON-OPERATING REVENUE</b>	
Investment Income - Unrestricted	919
Total Non-Operating Revenue	919
 <b>CHANGE IN NET POSITION</b>	 20,483
Net Position - Beginning of Year	982,923
 <b>NET POSITION - END OF YEAR</b>	 \$ 1,003,406

See accompanying Notes to Financial Statements.

**HERNANDO COUNTY HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2013**

**CASH FLOW FROM OPERATING ACTIVITIES**

**Receipts:**

Operating Subsidy and Grant Receipts	\$ 2,614,253
Other Governmental Subsidy and Grant Receipts	9,292
Other Income Receipts	1,420,814
Total Receipts	<u>4,044,359</u>

**Disbursements:**

Payments to and Benefits for Employees	300,142
Payments to Suppliers	121,717
Payments to Landlords	3,577,133
Total Disbursements	<u>3,998,992</u>

Net Cash From Operating Activities	<u>45,367</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income - Unrestricted	919
Net Cash From Investing Activities	<u>919</u>

**NET CHANGE IN CASH**

46,286

Cash - Beginning of Year

986,227

**CASH - END OF YEAR**

\$ 1,032,513

**REPORTED AS**

Cash - Unrestricted	\$ 916,750
Cash - Restricted	115,763
Total Cash, End of Year	<u><u>\$ 1,032,513</u></u>

*See accompanying Notes to Financial Statements.*

**HERNANDO COUNTY HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2013**

**RECONCILIATION OF OPERATING INCOME TO  
NET CASH FROM OPERATING ACTIVITIES**

Operating Income	\$	19,564
Adjustments to Reconcile Operating Income to Net Cash Provided from Operating Activities:		
Depreciation Expense		66
(Increase) Decrease in:		
Accounts Receivable - PHA Projects		30,309
Accounts Receivable - Other Governments		(8,394)
Accounts Receivable - Fraud Recovery		2,199
Prepaid Expenses and Other Assets		583
Increase (Decrease) in:		
Accounts Payable		(1,328)
Accrued Payroll		1,381
Accounts Payable - Other Governments		408
Deferred Revenue		(2,885)
Accrued Compensated Absences		3,464
Net Cash Provided from Operating Activities	<u>\$</u>	<u>45,367</u>

*See accompanying Notes to Financial Statements.*

**HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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.



**HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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 as a 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, 2013**

**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 net position 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 under the Section 8 Housing Choice Vouchers program.

**HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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 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 position.

**Compensated Absences**

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

	<u>Maximum Carryover in Hours</u>
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 not carried forward and is not paid to the employee upon separation from the Authority.

**Unearned 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.

**HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Net Position**

Net position represent the difference between assets and liabilities in the financial statements and is classified into three components:

Net Investment in Capital Assets – This component consists of capital assets net of accumulated depreciation.

Restricted – net position with constraints placed on the use either by external groups such as creditors, grantors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation are reflected in this component.

Unrestricted – All other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.

The Authority applies restricted resources first when an expense or expenditure is incurred for the purpose of which both restricted and unrestricted net position are available.

**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.

**HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Income Taxes**

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

**Implementation of New Accounting Standards**

During the year the Authority implemented GASBS 65, *Items Previously Reported as Assets and Liabilities*. GASBS 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. There were no restatements as an effect of adopting this new accounting policy. No restatements are required as a result of adopting this standard.

**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, 2013 were \$1,052,618 and the total carrying value was \$1,032,513 at September 30, 2013.

**HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 3 CAPITAL ASSETS**

The changes in capital assets for the year ended September 30, 2013 were as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Not Being Depreciated:				
Land	\$ 104,158	\$ -	\$ -	\$ 104,158
Being Depreciated:				
Furniture and Equipment - Administration	41,415	-	-	41,415
Less Accumulated Depreciation:				
Furniture and Equipment - Administration	<u>41,349</u>	<u>66</u>	<u>-</u>	<u>41,415</u>
Total Capital Assets being Depreciated, Net	<u>66</u>	<u>(66)</u>	<u>-</u>	<u>-</u>
Capital Assets, Net	<u><u>\$ 104,224</u></u>	<u><u>\$ (66)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 104,158</u></u>

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, 2013**

**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 (DROP) 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, 2013 through June 30, 2014, 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 – 5.18% and deferred retirement option plan – 5.44%. The employer contribution rates, effective July 1, 2013, which include the health insurance subsidy of contributions of 1.20%, and the 0.03% administrative/education fee, are applied to employee salaries as follows: regular employees – 6.95% and deferred retirement option plan – 12.84%. The Authority's contributions made during the years ended September 30, 2013, 2012 and 2011 were \$10,595 \$9,674, and \$17,524, respectively, equal to the actuarially determined required contribution requirements for each year.

**HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 5 CHANGES IN NONCURRENT LIABILITIES**

The changes in noncurrent liabilities for the year ended September 31, 2013 were as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Accrued Compensated Absences	\$ 22,583	\$ 5,461	\$ 1,997	\$ 26,047	\$ 13,023
Total	<u>\$ 22,583</u>	<u>\$ 5,461</u>	<u>\$ 1,997</u>	<u>\$ 26,047</u>	<u>\$ 13,023</u>

**NOTE 6 CONTINGENCIES AND ECONOMIC DEPENDENCE**

**Federal Subsidies and Grants**

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.

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. Revenue for the year ended September 30, 2013 was as follows:

Revenue Source	Total Revenue	Revenue as a Percentage of Total Revenue
Section 8 Housing Choice Voucher - HAP	\$ 2,404,189	59.7 %
Section 8 Housing Choice Voucher - Administrative	210,064	5.2
Section 8 Housing Choice Voucher - Port-In HAP	1,102,389	27.4
Section 8 Housing Choice Voucher - Port-In Administrative	86,832	2.2
SHIP Grant Revenue	9,292	0.2
Fraud Recovery	3,248	0.1
Investment Income	919	0.1
Developer Fee	204,231	5.0
Other Revenue	<u>2,885</u>	0.1
Total Revenue	<u>\$ 4,024,049</u>	100.0 %



**HERNANDO COUNTY HOUSING AUTHORITY  
SUPPLEMENTARY FINANCIAL DATA SCHEDULE  
BALANCE SHEET  
YEAR ENDED SEPTEMBER 30, 2013**

Line Item No.	Account Description	Section 8 Program	State/Local Program	Business Activities	Total Programs
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash:					
111	Cash - Unrestricted	\$ 525,193	\$ 13,460	\$ 378,097	\$ 916,750
113	Cash - Other Restricted	115,763	-	-	115,763
100	Total Cash	<u>640,956</u>	<u>13,460</u>	<u>378,097</u>	<u>1,032,513</u>
<b>ACCOUNTS AND NOTES RECEIVABLE</b>					
121	Accounts Receivable - PHA Projects	8,494	-	-	8,494
122	Accounts Receivable - HUD Other Projects	8,394	-	-	8,394
128	Fraud Recovery	11,401	-	-	11,401
128.1	Allowance for Doubtful Accounts - Fraud	<u>(2,080)</u>	<u>-</u>	<u>-</u>	<u>(2,080)</u>
120	Total Receivables, Net	<u>26,209</u>	<u>-</u>	<u>-</u>	<u>26,209</u>
<b>OTHER CURRENT ASSETS</b>					
142	Prepaid Expenses and Other Assets	<u>12,387</u>	<u>426</u>	<u>64</u>	<u>12,877</u>
	Total Other Current Assets	<u>12,387</u>	<u>426</u>	<u>64</u>	<u>12,877</u>
150	Total Current Assets	<u>679,552</u>	<u>13,886</u>	<u>378,161</u>	<u>1,071,599</u>
<b>NONCURRENT ASSETS</b>					
Capital Assets:					
161	Land	-	-	104,158	104,158
164	Furniture and Equipment - Administration	41,415	-	-	41,415
166	Less: Accumulated Depreciation	<u>(41,415)</u>	<u>-</u>	<u>-</u>	<u>(41,415)</u>
160	Total Capital Assets, Net	<u>-</u>	<u>-</u>	<u>104,158</u>	<u>104,158</u>
180	Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>104,158</u>	<u>104,158</u>
190	Total Assets	<u>\$ 679,552</u>	<u>\$ 13,886</u>	<u>\$ 482,319</u>	<u>\$ 1,175,757</u>
<b>LIABILITIES AND NET POSITION</b>					
<b>CURRENT LIABILITIES</b>					
312	Accounts Payable - ≤ 90 Days	\$ 1,346	\$ 173	\$ 66	\$ 1,585
321	Accrued Payroll	3,314	382	111	3,807
322	Accrued Compensated Absences - Current Portion	11,238	944	841	13,023
333	Accounts Payable - Other Government	359	40	9	408
342	Unearned Revenues	-	-	140,504	140,504
310	Total Current Liabilities	<u>16,257</u>	<u>1,539</u>	<u>141,531</u>	<u>159,327</u>
<b>NONCURRENT LIABILITIES</b>					
354	Accrued Compensated Absences - Noncurrent	<u>11,238</u>	<u>944</u>	<u>842</u>	<u>13,024</u>
350	Total Noncurrent Liabilities	<u>11,238</u>	<u>944</u>	<u>842</u>	<u>13,024</u>
300	Total Liabilities	<u>27,495</u>	<u>2,483</u>	<u>142,373</u>	<u>172,351</u>
<b>NET POSITION</b>					
508.4	Net Investment in Capital Assets	-	-	104,158	104,158
511.4	Restricted	115,763	-	-	115,763
512.4	Unrestricted	<u>536,294</u>	<u>11,403</u>	<u>235,788</u>	<u>783,485</u>
513	Total Net Position	<u>652,057</u>	<u>11,403</u>	<u>339,946</u>	<u>1,003,406</u>
600	Total Liabilities and Net Position	<u>\$ 679,552</u>	<u>\$ 13,886</u>	<u>\$ 482,319</u>	<u>\$ 1,175,757</u>

**HERNANDO COUNTY HOUSING AUTHORITY  
SUPPLEMENTARY FINANCIAL DATA SCHEDULE  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2013**

Line Item No.	Account Description	Section 8 Program	State/ Local Program	Business Activities	Total Programs
<b>REVENUE</b>					
70600	HUD PHA Operating Grants	\$ 2,614,253	\$ -	\$ -	\$ 2,614,253
70800	Other Government Grants	-	9,292	-	9,292
71100	Investment Income - Unrestricted	606	35	278	919
71400	Fraud Recovery	3,248	-	-	3,248
71500	Other Revenue	1,189,221	-	207,116	1,396,337
70000	Total Revenue	<u>3,807,328</u>	<u>9,327</u>	<u>207,394</u>	<u>4,024,049</u>
<b>EXPENSES</b>					
Administrative:					
91100	Administrative Salaries	193,704	21,210	6,733	221,647
91200	Auditing Fees	20,000	-	-	20,000
91500	Employee Benefit Contributions - Administrative	67,524	8,118	1,880	77,522
91600	Office Expenses	66,661	372	-	67,033
91700	Legal Expenses	-	-	1,486	1,486
91800	Travel	6,118	-	-	6,118
91900	Other	5,299	1,305	1,745	8,349
91000	Total Operating - Administrative	<u>359,306</u>	<u>31,005</u>	<u>11,844</u>	<u>402,155</u>
Insurance Premiums:					
96120	Liability Insurance	2,942	-	-	2,942
96130	Workmen's Compensation	6,226	-	-	6,226
96140	All Other Insurance	1,331	-	-	1,331
96100	Total Insurance Premiums	<u>10,499</u>	<u>-</u>	<u>-</u>	<u>10,499</u>
General Expenses:					
96200	Other General Expense	3,864	-	4,388	8,252
96210	Compensated Absences	3,571	1,888	2	5,461
96000	Total General Expenses	<u>7,435</u>	<u>1,888</u>	<u>4,390</u>	<u>13,713</u>
96900	Total Operating Expenses	<u>377,240</u>	<u>32,893</u>	<u>16,234</u>	<u>426,367</u>
97000	<b>EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER (UNDER) OPERATING EXPENSES</b>	3,430,088	(23,566)	191,160	3,597,682
<b>OTHER EXPENSES</b>					
97300	Housing Assistance Payments	2,476,133	-	-	2,476,133
97350	HAP Portability-In	1,101,000	-	-	1,101,000
97400	Depreciation Expense	66	-	-	66
90000	Total Other Expenses	<u>3,954,439</u>	<u>32,893</u>	<u>16,234</u>	<u>4,003,566</u>
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES</b>	(147,111)	(23,566)	191,160	20,483
11030	Net Position - Beginning of Year	799,168	34,969	148,786	982,923
<b>NET POSITION - END OF YEAR</b>		<u>\$ 652,057</u>	<u>\$ 11,403</u>	<u>\$ 339,946</u>	<u>\$ 1,003,406</u>

**HERNANDO COUNTY HOUSING AUTHORITY  
 SUPPLEMENTARY FINANCIAL DATA SCHEDULE  
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)  
 YEAR ENDED SEPTEMBER 30, 2013**

Line Item No.	Account Description	Section 8 Program	State/ Local Program	Business Activities	Total Programs
11170	Administrative Fee Equity	\$ 536,294	\$ -	\$ -	\$ 536,294
11180	Housing Assistance Payments Equity	\$ 115,763	\$ -	\$ -	\$ 115,763
11190	Unit Months Available	4,680	-	-	4,680
11210	Number of Unit Months Leased	4,216	-	-	4,216

**HERNANDO COUNTY HOUSING AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 AND STATE FINANCIAL ASSISTANCE  
 YEAR ENDED SEPTEMBER 30, 2013**

	<u>CFDA / CSFA Number</u>	<u>Identifying Number</u>	<u>Expended</u>
<b>FEDERAL ASSISTANCE</b>			
<b>DIRECT FEDERAL ASSISTANCE</b>			
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Section 8 Housing Choice Vouchers	14.871	ACC - FL137	<u>\$ 3,954,439</u>
<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	<u>\$ 32,893</u>

**HERNANDO COUNTY HOUSING AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2013**

**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, 2013. 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, 2013.

**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 net position of the Authority.



**INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements the Hernando Housing Authority (the Authority), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 26, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. 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. 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.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

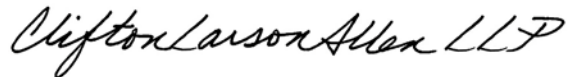
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**CliftonLarsonAllen LLP**



Lakeland, Florida  
June 26, 2014



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

Board of Commissioners  
Hernando County Housing Authority  
Brooksville, Florida

**Report on Compliance for the Major Federal Program**

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 the Authority's major federal program for the year ended September 30, 2013. The Authority's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance of the Authority's major federal program based on our audit of the types of compliance requirements referred to above.

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 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 on compliance for the major federal program. However, our audit does not provide a legal determination the Authority's compliance.



### **Opinion on the Major Federal Program**

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

### **Report on Internal Control Over Compliance**

Management of Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **CliftonLarsonAllen LLP**



Lakeland, Florida  
June 26, 2014

**HERNANDO COUNTY HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2013**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

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

***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:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be a material weakness	None reported

Type of auditor's report on compliance for major programs	Unmodified Opinion
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Audit findings disclosed that are required to be in accordance with Circular A-133, Section .510(a)	No
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Identification of major programs:

<b><u>Federal Program</u></b>	<b><u>CFDA</u></b>
Section 8 Housing Choice Voucher Program	14.871

**HERNANDO COUNTY HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FINDINGS  
SEPTEMBER 30, 2013**

**SECTION II – FINANCIAL STATEMENT AUDIT**

There are no current year findings.

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

There are no current year findings.

**HERNANDO COUNTY HOUSING AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
SEPTEMBER 30, 2013**

**2012-01 – SPECIAL PROVISIONS**

**Significant Deficiency**

**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.

**Status**

No findings were noted related to the above compliance requirements in our current year testing.