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## Audit Services RFP #15-005

### Addendum #1

**Question:** We received your RFP for Auditing Services for fiscal years ending September 30, 2015, 2016, and 2017. If possible, please send us a copy of your prior year Audit Report. The 2013 report will be fine if the 2014 audit is not yet complete. This is standard information we typically like to keep on file.

**Response:** The Fiscal Year End September 30, 2013 Audit Report is provided on the website at [www.shanc.org](http://www.shanc.org), Contract and RFPs, SHA Audit Services RFP.

Shannon McLean / Executive Director  
Name/Title

3/27/15  
Date

**SANFORD HOUSING AUTHORITY**  
Sanford, North Carolina

**AUDIT REPORT**

For the Year Ended September 30, 2013

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# Phillip C. Jarrell, LLC

Certified Public Accountant

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Hazlehurst, Georgia 31539

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## Independent Auditor's Report

Board of Commissioners  
Sanford Housing Authority  
Sanford, North Carolina

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

I have audited the accompanying basic financial statements of the Sanford Housing Authority, which comprise the statement of net position as of September 30, 2013, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sanford Housing Authority as of September 30, 2013, and the changes in its net position and its cash flows 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 3 through 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming an opinion on the financial statements of the Sanford Housing Authority, taken as a whole. The accompanying financial information listed in the Table of Contents as Supplementary Information and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards 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. Such Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Report Issued in Accordance with Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued a report dated January 23, 2014 on my consideration of Sanford Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the Sanford Housing Authority's internal control over financial reporting and compliance.



Phillip C. Jarrell, LLC  
Certified Public Accountant

Hazlehurst, Georgia  
January 23, 2014

**HOUSING AUTHORITY OF SANFORD  
SANFORD, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FYE: SEPTEMBER 30, 2013**

**Management's Discussion and Analysis**

The management of the Housing Authority of Sanford offers the readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the year ended September 30, 2013. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual fund issues or concerns. Readers should consider the information presented here in conjunction with the Authority's financial statements to obtain a full understanding of its financial position.

This management discussion and analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). We have made every effort to provide data that allows the reader to gain an adequate understanding of the Authority's annual operating results and financial position as of September 30, 2013.

Questions concerning the information provided in this discussion or requests for additional information should be addressed to the Authority's Executive Director.

**Financial Highlights**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$ 11,335,333 (net position) as opposed to \$ 11,556,124 for the prior fiscal year.
- The Authority's cash and investments balance as of September 30, 2013 was \$ 2,424,230 representing a decrease of \$ 446,258 from September 30, 2012.
- The Authority had total revenues of \$ 5,877,091 and total expenses of \$ 6,077,359 for the year ended September 30, 2013.
- The Authority administers 447 units of Low-Rent Public Housing, 464 units of Housing Choice Vouchers, 11 units of Shelter Plus Care Program, a Building Fund and an Affordable Housing Program.



## **Overview of the Financial Reports**

The following outline describes the integral parts of this financial presentation and is a guideline for understanding its components:

- I. MD&A  
Serves as an introduction to the Authority's basic financial statements
- II. Basic Financial Statements  
Financial Statements  
Notes to the financial statements
- III. Other Required Supplementary Information

The financial statements in this report are those of a special purpose government entity engaged in a business type activity. The following statements are included:

- Statement of Net Position (Balance Sheet) – presents information about the Authority's assets and liabilities and is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Position," formerly known as net assets. Assets and liabilities are presented in order of liquidity and are classified as "current" (convertible to cash within one year), and "non-current." Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- Statement of Revenues, Expenses and Changes in Net Position – reports the authority's revenues by source and type and its expenses by category to substantiate the change in net position for the fiscal year.
- Statement of Cash Flows – discloses net cash provided by, or used for operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

Our analysis of the Authority as a whole follows with the most important question, "Has the Authority's financial health improved or worsened as a result of the year's activities?" The following analysis of entity-wide net position, revenues, and expenses is provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual method of accounting, which recognizes revenue when earned and expenses when incurred regardless of when cash is received or paid.

**Analysis of Authority-Wide Net Position (Statement of Net Position)**

	<u>2013</u>	<u>2012</u>	<u>Change</u>
ASSETS			
Cash and Investments	2,424,230	2,870,488	(446,258)
Other Current Assets	367,997	214,031	153,966
Net Capital Assets	11,427,997	10,839,097	588,900
Total Assets	14,220,224	13,923,616	296,608
LIABILITIES			
Current Liabilities	528,600	283,344	245,256
Long-Term Debt - Net of Current Portion	2,298,658	2,038,350	260,308
Non-Current Liabilities	57,633	45,798	11,835
Total Liabilities	2,884,891	2,367,492	517,399
NET POSITION			
Investment in Net Capital Assets	8,992,197	8,682,625	309,572
Restricted Net Position	260,647	433,639	(172,992)
Unrestricted Net Position	2,082,489	2,439,860	(357,371)
Total Net Position	11,335,333	11,556,124	(220,791)
Total Liabilities and Net Position	14,220,224	13,923,616	296,608

Cash and Investments decreased \$ 446,258 based on the net effect of operations and expenditures for capital improvements during the year ended September 30, 2013.

Other Current Assets increased based on a HUD receivable for the Capital Fund Program of \$ 206,491 which was received subsequent to September 30, 2013.

Investment in Net Capital Assets increased based on capital expenditures of \$ 1,195,206 less depreciation expense of \$ 606,306 for the year.

Current Liabilities increased based on the accrual of accounts payable at September 30, 2013. This accrual included a large amount related to the Capital Fund Program which was paid subsequent to September 30, 2013.

Long-Term Debt increased based on the net effect of transactions related to the purchase of the Wilrik property and principal debt payments during the fiscal year.

Non-Current Liabilities increased based on the accrual of long-term compensated absences at September 30, 2013.



Restricted Net Position decreased due to the use of Housing Choice Voucher funds for payment of tenant housing assistance payments which were in excess of funding for the current period.

Total Net Position decreased by \$ 220,791 which is outlined in detail on the Statement of Revenues, Expenses and Changes in Net Position. It also includes a prior period adjustment of \$20,523.

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

With no signs of improvement in economic conditions in the foreseeable future, the Authority is now using proactive measures to control expenses in future years by adopting a plan to review staff responsibilities and implementing cost management strategies. The Authority continuously looks for new ways to improve operations, control costs, maximize effectiveness, and demonstrate accountability.

**The following table illustrates changes in revenue from FY 2012 to FY 2013.**

	<u>2013</u>	<u>2012</u>	<u>Change</u>
REVENUES AND GRANTS			
Tenant Revenue	967,076	894,478	72,598
Governmental Grants - HUD	4,721,684	4,101,997	619,687
Other Governmental Grants	30,000	-	30,000
Investment Income	3,409	3,740	(331)
Fraud Recovery	25,835	4,846	20,989
Gain/(Loss) on Sale of Capital Assets	-	4,750	(4,750)
Other Revenue	129,087	119,906	9,181
Total Revenues and Grants	5,877,091	5,129,717	747,374

Total Revenues and Grants increased \$ 747,374 for the year ended September 30, 2013.

The majority of the increase was related to HUD and Other Government Grants as follows:

<u>Program</u>	
Public Housing Operating Grants	\$ (17,126)
Capital Fund Program	330,938
Resident Opportunity and Support Services	18,302
Housing Choice Voucher	314,008
Fair Housing Assistance Program	10,000
Shelter Care Plus	<u>(6,435)</u>
Total	<u>\$ 649,687</u>

HUD Grants fluctuate on an annual basis depending on the Authority budget process and Congressional approval of funding levels.

Tenant Revenue increased \$ 72,598 or 8.1% based on tenant reexaminations and a corresponding increase in tenant dwelling rental charges and an increase in the number of unit months leased for the year.

Investment Income decreased based on declining interest rates and funds available for investment.

Fraud Recovery in the Housing Choice Voucher Program increased based on Authority efforts to monitor fraud activity in the program.

Other Revenue remained basically unchanged for the year.

**The following table illustrates changes in expenses from FY 2012 to FY 2013.**

EXPENSES	<u>2013</u>	<u>2012</u>	<u>Change</u>
Administration and Tenant Services	1,280,059	1,111,215	168,844
Utilities	628,830	584,304	44,526
Ordinary Maintenance	824,535	869,597	(45,062)
Protective Services	41,397	42,793	(1,396)
General Expenses	213,120	191,189	21,931
Housing Assistance Payments	2,365,830	2,126,637	239,193
Total Operating Expenses	5,353,771	4,925,735	428,036
Casualty Losses - Non-capitalized	15,705	1,000	14,705
Depreciation Expense	606,306	591,878	14,428
Amortization Expense	3,524	3,524	-
Interest Expense	93,663	96,489	(2,826)
Fraud Expense	4,390	9,732	(5,342)
Total Non-Operating Expenses	723,588	702,623	20,965
Total Expenses	6,077,359	5,628,358	449,001

Total Operating Expenses increased \$ 428,036 or 8.7% for the year ended September 30, 2013.

Administration and Tenant Services increased based on the following activity:

Increase in administrative salaries / benefits	\$ 105,090
Increase in office and other sundry expenses	73,608
Increase in legal expenses	2,487
Decrease in travel expenses	(2,154)
Decrease in tenant services other	<u>(10,187)</u>
Total	<u>\$ 168,844</u>

Utilities increased based on gas consumption and cost for the year.

Ordinary Maintenance decreased \$ 45,062 based on the following activity:

Decrease in maintenance salaries / benefits	\$ (2,986)
Decrease in maintenance materials / contract costs	<u>(42,076)</u>
Total	<u>\$ (45,062)</u>

Materials and contract costs decreased based on expenditures for preventative maintenance made in the prior year.

Protective services remained basically unchanged for the year.

General Expenses increased based on the following activity:

Decrease in property / liability insurance	\$ (4,025)
Increase in compensated absences expense	18,438
Increase in payment in lieu of taxes	2,942
Increase in tenant collection losses	7,463
Decrease in other general expenses	<u>(2,887)</u>
Total	<u>\$ 21,931</u>

Depreciation Expense increased based on standard calculations for the year.

Interest Expense decreased based on the retirement \$ 120,670 in long-term debt for the year ended September 30, 2013.

### Capital Assets

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Land	922,728	919,728	3,000
Buildings and Equipment	21,063,298	20,476,588	586,710
Construction in Progress	1,245,984	640,488	605,496
Accumulated Depreciation	(11,804,013)	(11,197,707)	(606,306)
Net Capital Assets	11,427,997	10,839,097	588,900

Net Capital Assets increased \$ 588,900 for the year ended September 30, 2013.



This increase was created by the following activity for the year:

Capital Fund Program expenditures	\$ 605,498
Purchase of Wilrik Property	390,786
Kitchen and bathroom renovations	188,300
Installation of central office heat pump	10,622
Depreciation expense	<u>(606,306)</u>
Total	<u>\$ 588,900</u>

Capital Fund Program expenditures by program year were as follows:

Capital Fund 2010	\$ 7,083
Capital Fund 2011	102,639
Capital Fund 2012	411,785
Capital Fund 2013	<u>83,991</u>
Total	<u>\$ 605,498</u>

Construction in Progress represents uncompleted capital projects which should be completed during the year ending September 30, 2014.

### **Long-term Debt**

As of September 30, 2013, the Authority had \$ 2,346,343 in outstanding debt. In April of 2006, the Authority borrowed \$ 2,774,361 from Fannie Mae for total rehab of two properties owned by the Authority. The interest rate on the loan is 4.35% to be paid over a twenty-year period. Funds for payment on the loan are through the Capital Fund Financing Program (CFFP). The CCFP allows for the Authority to use one-third of future Capital Funds received for debt service. In July 2013, the Authority purchased the Wilrik Property and borrowed \$400,000 from BB&T Bank. The interest rate on the loan is 3.75% to be paid over a twenty year period with monthly installments of \$2,372.

### **Budgets**

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Rent Housing is adopted on the basis of accounting practices prescribed by the United States Department of Housing and Urban Development. All adopted budgets differ in some respects from generally accepted accounting principles. Capital Fund Program Funds utilize program length budgets exceeding one year. Appropriations of the Capital Fund Program Funds lapse at the close of the fiscal year to the extent that they have not been exceeded, but are re-appropriated the following year under contract provisions.



### **Economic Factors**

Several significant economic factors affecting the Housing Authority are as follows:

- Congressional funding of the Department of Housing and Urban Development
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs
- Health care and other insurance costs are expected to increase dramatically over the next several years.
- HUD recapture of reserves

### **Financial Contact**

Questions concerning any of the information provided in this Management Discussion & Analysis should be addressed to:

Mr. Ken Armstrong  
Executive Director  
Housing Authority of Sanford  
1000 Carthage Street / P.O. Box 6  
Sanford, North Carolina 27330 / 27331  
(919) 776-7655

**SANFORD HOUSING AUTHORITY**

Sanford, North Carolina

**STATEMENT OF NET POSITION – PROPRIETARY FUND TYPE**

As of September 30, 2013

**ASSETS**

## Current Assets:

Cash and cash equivalents - unrestricted	\$	2,077,418
Restricted cash		342,410
Tenant rents receivable (net of \$6,590 allowance)		8,755
Investments		4,402
Due from HUD		207,319
Accounts receivable - other (net of \$552 allowance)		18,167
Accrued interest receivable		26
Supplies inventory (net of \$4,630 allowance)		41,677
Prepaid expenses		92,053
Total current assets		<u>2,792,227</u>

## Noncurrent Assets:

## Capital Assets:

Nondepreciable capital assets		2,168,712
Depreciable capital assets, net		9,259,285
Total capital assets		<u>11,427,997</u>
Total noncurrent assets		<u>11,427,997</u>
Total assets		<u>14,220,224</u>

**LIABILITIES**

## Current Liabilities:

Accounts payable and accrued liabilities		216,114
Accrued wages payable		22,692
Tenant security deposits		51,510
Unearned revenues		5,175
Accrued compensated absences		19,212
Due to other governments		28,671
Due to HUD		399
Notes and bonds payable		137,142
Other current liabilities		47,685
Total current liabilities		<u>528,600</u>

## Noncurrent Liabilities:

Notes and bonds payable		2,298,658
Accrued compensated absences		57,633
Total noncurrent liabilities		<u>2,356,291</u>
Total liabilities		<u>2,884,891</u>

**NET POSITION**

Investment in net capital assets		8,992,197
Restricted net position		260,647
Unrestricted net position		2,082,489
Total net position	\$	<u>11,335,333</u>

*The notes to the financial statements are an integral part of this statement.*

**SANFORD HOUSING AUTHORITY**

Sanford, North Carolina

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION – PROPRIETARY FUND TYPE**

For the Year Ended September 30, 2013

<hr/> <hr/>	
Operating revenues:	
Tenant rental revenue (net)	\$ 967,076
HUD PHA grants	4,028,065
Other revenue	154,922
Total operating revenues	<u>5,150,063</u>
Operating expenses:	
Administration	1,234,797
Tenant services	45,262
Utilities	628,830
Ordinary maintenance	824,535
Protective services	41,397
Insurance	112,114
Other general expenses	101,006
Housing assistance payments	2,365,830
Depreciation	606,306
Fraud losses	4,390
Casualty losses	15,705
Total operating expenses	<u>5,980,172</u>
Operating income (loss)	<u>(830,109)</u>
Nonoperating revenue (expenses):	
Interest income	3,409
Interest expense	(97,187)
Total nonoperating revenue (expenses)	<u>(93,778)</u>
Net income (Loss) before contributions	(923,887)
Contributions – capital grants	<u>723,619</u>
Increase (decrease) in net position	(200,268)
Net position, beginning of year as restated	11,535,601
Net position, end of year	<u>\$ 11,335,333</u>

*The notes to the financial statements are an integral part of this statement.*

# SANFORD HOUSING AUTHORITY

Sanford, North Carolina

## STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE

For the Year Ended September 30, 2013

<b>Cash flows used by operating activities:</b>	
Cash received from tenants/others	\$ 1,185,978
Cash paid for goods and services	(4,452,863)
Cash paid to employees for services	(919,616)
HUD PHA grants	4,025,754
Net cash used by operating activities	<u>(160,747)</u>
<b>Cash flows used by capital and related financing activities:</b>	
Proceeds from capital grants	521,556
Acquisition of capital assets	(992,597)
Proceeds from debt	400,000
Principal paid on debt	(120,670)
Interest paid on debt	(97,187)
Net cash used by capital and related financing activities	<u>(288,898)</u>
<b>Cash flows provided from investing activities:</b>	
Purchase of investments	(4,402)
Proceeds from maturities of investments	7,339
Interest on investments	3,387
Net cash provided from investing activities	<u>6,324</u>
Net increase (decrease) in cash and cash equivalents	(443,321)
Cash and cash equivalents at beginning of year	2,863,149
Cash and cash equivalents at end of year	<u>\$ 2,419,828</u>
<b>Reconciliation of cash/cash equivalents:</b>	
Cash - unrestricted	\$ 2,077,418
Cash - restricted	342,410
	<u>\$ 2,419,828</u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	<u>\$ (830,109)</u>
<b>Adjustments to reconcile operating income (loss) to net cash used by operating activities:</b>	
Depreciation	606,306
(Increase) decrease in accounts receivable	57,862
(Increase) decrease in supplies inventory and prepaid expenses	(9,743)
Increase (decrease) in accounts payable	
accrued liabilities, security deposits	(4,650)
Increase (decrease) in unearned revenue	3,807
Increase (decrease) in accrued compensated absences	15,780
Total adjustments	<u>669,362</u>
Net cash used by operating activities	<u>\$ (160,747)</u>

*The notes to the financial statements are an integral part of this statement.*



SANFORD HOUSING AUTHORITY  
Sanford, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE 1: Summary of Significant Accounting Policies:

*A.      Reporting Entity*

The Sanford Housing Authority ("the Authority") is a public body corporate and politic pursuant to the Chapter 157 of the General Statutes of North Carolina. The Authority was created for the purpose of providing safe and sanitary housing for the low-income citizens of Sanford, North Carolina.

In determining how to define the reporting entity, management has considered all potential component units. Management considered criteria established by the Governmental Accounting Standards Board for inclusion of the Authority in the City of Sanford's financial statements. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary government is not financially accountable. The Board of Commissioners of the Housing Authority is appointed by the Mayor of the City of Sanford but the Authority designates its own management. The City of Sanford provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the Board is appointed by the City of Sanford, no other criterion is met. Therefore, a separate financial report is prepared for the Authority. All of the operations of the Authority are included in the audited financial statements and there are no operations or activities which have been excluded.

***Blended Component Unit***

Blended component units are separate legal entities that meet the component unit criteria described above and are blended into the Authority's financial statements by appropriate activity type to compose the primary government presentation. Currently, the Authority has one component unit that meets the criteria for blending. The Sanford Affordable Housing Development Corporation, a 501(c)(3) organization, is a blended component unit of the Authority. It was created on March 9, 1998, to develop and maintain housing units for very-low and low income families in the Sanford area. Due to the criteria above, this entity was considered a component unit beginning October 1, 2010.

*B.      Description of a Public Housing Authority*

Funding for public housing authorities is received from the United States Department of Housing and Urban Development (HUD) and from participants in public housing programs. Under the Low Rent Housing Assistance Program, low income tenants pay monthly rents which are determined by their need for assistance. HUD pays the annual debt service contributions directly to a fiscal or paying agent under the terms of the annual contributions contract. HUD also pays operating subsidies to the housing authority to enable the authority to maintain the low-income character of the neighborhood while providing adequate services and maintaining adequate reserves.

The Authority's capital funds are received from the Federal Government through a formula driven computation. These funds are used to upgrade the facilities at various developments to give the residents the decent and safe living environment they need. Each year's grant funds must be entirely obligated within two years of inception of the grant, and entirely expended within four years.



SANFORD HOUSING AUTHORITY  
Sanford, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE 1: Summary of Significant Accounting Policies: (Continued)

*B. Description of a Public Housing Authority (continued)*

The Section 8 Housing Choice Voucher Program provides rental supplements to the owners of existing private housing who rent to qualified individuals. The Authority processes all applicants for the Section 8 Housing Choice Voucher Program, places approved applicants in housing, and pays the owners of the private housing monthly rental supplements. Under the conditions of an annual contributions contract, HUD reimburses the Authority for the rental supplements and the administrative costs of managing the program up to a per unit limit established in the annual contributions contract.

The Authority was administering a low-rent program, capital fund program, business activities program, shelter plus care program, resident opportunity and supportive services program, housing choice voucher program and a fair housing assistance program.

*C. Basis of Presentation*

The accounts of the Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, net position, revenues, and expenses.

The Authority accounts for its operation in one fund type, the enterprise fund that reflects all the business type activities of the Authority. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Sanford Housing Authority maintains one enterprise fund which includes the following programs: Low Rent Housing Program, Capital Fund Program, Section 8 Housing Choice Voucher Program, Shelter Plus Care Program, Resident Opportunity and Supportive Services Program, Business Activities, and a Fair Housing Assistance Program.

*D. Measurement Focus and Basis of Accounting*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. Enterprise fund type equity (i.e., total net position) is segregated into investment in net capital assets, restricted net position, and unrestricted net position components. Operating activities for this fund present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The fund of the Authority is maintained on the modified accrual basis during the year. The financial statements for the Authority have been presented on the accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. In converting from the modified accrual basis to the full accrual basis, the changes required may include adjustments for unpaid interest, depreciation, prepaid tenant rents, payments of principal on outstanding debt, and capital outlay.

SANFORD HOUSING AUTHORITY  
Sanford, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE 1: Summary of Significant Accounting Policies: (Continued)

*D.      Measurement Focus and Basis of Accounting (continued)*

Payments of outstanding debt and accrued interest by HUD which have been earned by the Authority, but not yet realized, are recorded as revenue. Operating income reported includes rental income, other tenant charges, operating grants, and other revenue for the continuing operations of the fund. Operating expenses are the costs of providing goods and services. Other revenues and expenses are classified as non-operating in the financial statements.

GASB 45 was reviewed by the Authority's management and it was determined that this does not apply to the Sanford Housing Authority as the Authority has no postemployment benefits other than pensions.

*E.      Budgetary Data*

The Authority maintains budgetary controls over its fund, as required by North Carolina General Statute 159-42(c-d) and the terms of the Authority's annual contributions contract with HUD. An annual budget is adopted for the enterprise fund. It was determined that all revenues and expenses were in accordance with the program budgets. Expenses may not legally exceed appropriations at the departmental level for the enterprise fund. All increases in appropriation to administration and capital expenditures must be approved by the Board. The budget was prepared on the modified accrual basis of accounting. The capital fund budgets are prepared on a "project length" basis. The budget presented in these statements is the budget ordinance as amended through September 30, 2013.

*F.      Assets, Liabilities, and Net Position*

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by HUD regulations. The Authority may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money accounts and certificates of deposit. Section 401(e) of the annual contribution contract authorizes the Authority to invest in the following types of securities:

1. Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government.
2. Obligations of any agency or instrumentality of the Federal Government if the payment of interest and principal on such obligations is fully guaranteed by the Federal Government.
3. Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Banks for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

As required by the annual contributions contract, the Authority prepares cash forecasts for each program to determine the amount of funds available for investment and to maximize investment earnings. During the fiscal year and at year-end, all cash was held in the form of interest bearing accounts. The deposits and the above described investments with an original maturity of ninety days or less are considered cash and cash equivalents for the Statement of Cash Flows.



SANFORD HOUSING AUTHORITY  
Sanford, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE 1: Summary of Significant Accounting Policies: (Continued)

*F.      Assets, Liabilities, and Net Position (continued)*

Fair value of financial instruments

The carrying amount of the Authority's financial instruments at September 30, 2013, including cash, investments, accounts receivable and accounts payable closely approximates fair value.

Due from the United States Department of Housing and Urban Development

The amount due from HUD as of September 30, 2013 consisted of capital fund program funds earned as of September 30th but not received as of that date.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid.

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenses when consumed rather than when purchased. If inventory falls below cost due to damage, deterioration, or obsolescence, the Authority establishes an allowance for obsolete inventory.

Capital Assets

Capital assets are recorded at historical cost at the date of acquisition. Assets are depreciated on a straight-line basis over the following years:

Dwelling structures	40 years
Dwelling structures improvements	27.5 years
Leasehold improvements	15 years
Furniture and equipment	5-7 years

The Authority capitalizes purchases of items with an initial cost that exceeds \$5,000 and a useful life exceeding one year. Maintenance and repairs expenditures are charged to operations when incurred.

Unearned Revenue

Unearned revenues consist of rental payments made by tenants in advance of their due date.

Vacation and Sick Leave Compensation

The Sanford Housing Authority allows its full time employees to accumulate vacation leave, and such leave is fully vested when earned. Full-time employees with less than ten years of service earn 1 day per month, and full-time employees with greater than ten years of service earn 1.5 days per month. The maximum number of days of annual leave that may be paid for upon separation or carried forward to the next calendar year is 30 days. Sick leave is earned by employees but will not be paid upon termination.



SANFORD HOUSING AUTHORITY  
Sanford, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE 1: Summary of Significant Accounting Policies: (Continued)

Net Position

*Investment in Net Capital Assets*

Investment in net capital assets represents funds received for development and modernization of the Authority's dwelling units. In addition, this amount represents capital assets purchased through operations and grant programs less accumulated depreciation and any associated debt.

*Restricted Net Position*

Restricted net position includes excess Section 8 Housing Choice Voucher housing assistance payments restricted for payments of housing assistance to landlords on behalf of tenants and debt service funds established for the Capital Fund Financing debt.

*Unrestricted Net Position*

Unrestricted net position includes assets remaining after deducting liabilities and investment in net capital assets and restricted net position. It provides a basis of assessing the liquidity and financial flexibility of the Authority.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: Stewardship, Compliance, and Accountability

The Authority appeared to have met its responsibilities regarding stewardship, compliance, and accountability for its fund.

NOTE 3: Detail Notes on All Programs

A. ASSETS

Deposits and Investments

The Authority's deposits include deposits with financial institutions. The Authority's deposits are either insured or are collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agent in the Authority's name. The carrying amount of the Authority's deposits for cash and investments was \$2,424,230. The total amount of bank balances and investments was \$2,438,939. Of the bank balances \$924,986 was covered by federal depository insurance and \$1,513,953 was covered by collateral held under the dedicated method. Restricted cash consists of cash restricted for the payment of security deposits, debt service, FSS escrows, and future HAP payments.

The Authority's cash consist of checking and money market accounts which are short-term highly liquid investments that are considered cash and cash equivalents. The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

The Authority's investments consist of certificates of deposit from FDIC insured state banks with an original maturity in excess of ninety days. Investments are stated at cost, which approximates fair value.

SANFORD HOUSING AUTHORITY  
Sanford, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE 3: Detail Notes on All Programs (continued)

Deposits and Investments (continued)

*Interest rate risk*—The Sanford Housing Authority has no specific policy regarding interest rate risk.

*Credit risk*—The Authority has no policy regarding credit risk. The Authority investments were limited to Certificates of Deposits that were 100% collateralized.

*Custodial credit risk* - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority has no policy on custodial credit risk.

*Concentration of credit risk*—The Authority places no limit on the amount that the Authority may invest in any one issuer.

Due from HUD

The Authority had the following amounts due from HUD as of September 30, 2013:

Capital Fund Program (Safety CFP 501-12)	\$ 118,620
Capital Fund Program (CFP 501-12)	3,880
Capital Fund Program (CFP 501-13)	83,991
Shelter Plus Care	<u>828</u>
Total	<u>\$ 207,319</u>

The amounts were received from HUD subsequent to year end.

Prepaid Expenses

Prepaid expenses are comprised of prepaid insurance and unamortized portion of loan costs for the acquisition for the CFFP note payable. The cost is amortized over 20 years at \$3,524 per year, with 12 years 8 months remaining. As of September 30, 2013, prepaid expenses consisted of the following:

Prepaid Insurance	\$ 47,413
Unamortized loan costs	<u>44,640</u>
Total	<u>\$ 76,135</u>



**SANFORD HOUSING AUTHORITY**  
Sanford, North Carolina

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013

**NOTE 3: Detail Notes on All Programs (continued)**

**Capital Assets**

The capital assets (at cost) of the Sanford Housing Authority at September 30, 2013 consisted of the following:

	Balance at Sept. 30, 2012	Additions	Adjustments/ Deletions	Transfers	Balance at Sept. 30, 2013
<b>Nondepreciable Capital Assets:</b>					
Land (nondepreciable)	\$ 919,728	\$ 3,000	\$ -	\$ -	\$ 922,728
Construction in progress	640,488	605,498	(2)	-	1,245,984
<b>Total Nondepreciable Assets</b>	<b>1,560,216</b>	<b>608,498</b>	<b>(2)</b>	<b>-</b>	<b>2,168,712</b>
<b>Depreciable capital assets:</b>					
Buildings and improvements	19,913,869	586,711	-	-	20,500,580
Furniture, equip., vehicles	562,719	-	(1)	-	562,718
<b>Total Depreciable Assets</b>	<b>20,476,588</b>	<b>586,711</b>	<b>(1)</b>	<b>-</b>	<b>21,063,298</b>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	10,699,087	581,047	-	-	11,280,134
Furniture, equip., vehicles	498,620	25,259	-	-	523,879
<b>Total Accumulated Depreciation</b>	<b>11,197,707</b>	<b>606,306</b>	<b>-</b>	<b>-</b>	<b>11,804,013</b>
<b>Total Depreciable Assets, net</b>	<b>9,278,881</b>	<b>(19,595)</b>	<b>(1)</b>	<b>-</b>	<b>9,259,285</b>
<b>Total Capital Assets, Net</b>	<b>\$ 10,839,097</b>	<b>\$ 588,903</b>	<b>\$ (3)</b>	<b>\$ -</b>	<b>\$ 11,427,997</b>

Depreciation expense was \$606,306 for the year ended September 30, 2013.

A summary of capital assets at September 30, 2013 is as follows:

	Low-Rent	Voucher	Business Activities	Component Unit	COCC	Total
Land	\$ 722,212	\$ -	\$ 90,545	\$ 19,426	\$ 90,545	\$ 922,728
Construction in progress	1,245,984	-	-	-	-	1,245,984
Buildings and improvements	19,130,850	-	366,800	491,943	510,987	20,500,580
Equipment	325,467	53,240	7,003	-	177,008	562,718
	21,424,513	53,240	464,348	511,369	778,540	23,232,010
Less: accumulated depreciation	(11,218,945)	(52,766)	(116,681)	(25,304)	(390,317)	(11,804,013)
<b>Capital assets, net</b>	<b>\$ 10,205,568</b>	<b>\$ 474</b>	<b>\$ 347,667</b>	<b>\$ 486,065</b>	<b>\$ 388,223</b>	<b>\$ 11,427,997</b>

**B. LIABILITIES**

**Pension Plan Obligation**

The Authority provides a defined contribution pension plan through the MVP Plan Administrators, Inc. for eligible employees working more the 20 hours per week on a regular basis after six months of service. The Board of Commissioners authorized participation in the plan effective September 1, 1982. The Authority contributes an amount equal to 7.5% of each employee's annual compensation to the plan. Pension expense totaled \$64,776 for the year ended September 30, 2013. Covered payroll was \$863,673 for the year ended September 30, 2013. Employees are required to contribute 5.5% of their annual compensation as Pre-tax employee contributions. Employees contributed \$47,599 for the year ended September 30, 2013.

**Unearned Revenues**

The Authority had unearned revenues as follows at September 30, 2013:

Prepaid rents	\$ 5,175
	<u>\$ 5,175</u>



**SANFORD HOUSING AUTHORITY**  
Sanford, North Carolina

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2013

**B. LIABILITIES (continued)**

**Long-Term Debt**

On May 5, 2006, the Authority received proceeds of \$2,774,361 from Fannie Mae for the total rehabilitation of two properties owned by the Authority. The net proceeds were deposited into the construction project fund and debt service reserve fund. The Authority is expected to make payments of debt service from future revenue of its capital fund programs. The Authority has entered into an ACC Financing Amendment that provides for the use of capital fund program monies to pay principal and interest on the note. The Authority's debt service reserve requirement is \$209,592. The Authority is in compliance with all significant requirements of the loan agreement. The CFFP allows for Sanford Housing Authority to use one-third of future Capital Funds received for debt service. Monthly payments are \$17,466. The interest rate is 4.35%. The maturity date is 2026. The debt is secured by the rehabilitated buildings.

Debt service payments over the life of the note are as follows:

Year	Principal	Interest	Total
2014	123,364	86,228	\$ 209,592
2015	128,839	80,753	209,592
2016	134,556	75,036	209,592
2017	140,528	69,064	209,592
2018	146,763	62,828	209,591
2019-2023	837,489	210,468	1,047,957
2024-2026	526,811	32,080	558,891
Total	<u>\$ 2,038,350</u>	<u>\$ 616,457</u>	<u>\$ 2,654,807</u>

On July 12, 2013, the Component Unit of the Authority (SAHDC) received proceeds of \$380,000 from a local financial institution for the purchase of the Wilrik Hotel Apartments, a 42 unit apartment building. SAHDC made an additional draw on the loan of \$20,000 by 09/06/13. The note requires SAHDC to make 119 monthly payments of \$2,372 for principal and interest and a final payment of all remaining principal on July 5, 2023. Interest is charged at 3.75%. The debt is secured by the land and building.

Debt service payments over the life of the note are as follows:

Year	Principal	Interest	Total
2014	\$ 13,778	\$ 14,686	\$ 28,464
2015	14,304	14,160	28,464
2016	14,849	13,615	28,464
2017	15,416	13,048	28,464
2018	16,004	12,460	28,464
2019-2023	323,100	52,660	375,760
Total	<u>\$ 397,451</u>	<u>\$ 120,629</u>	<u>\$ 518,080</u>

**SANFORD HOUSING AUTHORITY**  
Sanford, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**B. LIABILITIES (continued)**

Changes in Long-term liabilities:

	Balance			Less Amounts			Noncurrent
	Sept. 30, 2012	Additions	Reductions	Sept. 30, 2013	Due Within One Year		Balance Sept. 30, 2013
Notes Payable	\$ 2,156,472	\$ 400,000	\$ (120,672)	\$ 2,435,800	\$ 137,142		\$ 2,298,658
FSS Escrow Payable	40,358	19,466	(29,793)	30,031	30,031		-
Accrued Compensated Absences	61,065	41,314	(25,534)	76,845	19,212		57,633
Total	\$ 2,257,895	\$ 460,780	\$ (175,999)	\$ 2,542,676	\$ 186,385		\$ 2,356,291

**C. NET POSIITION**

Schedule of Restatement of Net Position:

	Investment In Net Capital Assets	Unrestricted Net Position	Restricted Net Position	Total
Balance - beginning of year, restated	\$ 8,682,625	\$ 2,419,337	\$ 433,639	\$ 11,535,601
Decrease in net position	-	(200,268)	-	(200,268)
Transfer to/from restricted net position	-	172,992	(172,992)	-
Changes in investment in net capital assets	309,572	(309,572)	-	-
Balance - end of year	\$ 8,992,197	\$ 2,082,489	\$ 260,647	\$ 11,335,333

\* Adjustments to restate beginning balance:

To record equity from absorption of Harnett County HCV program	\$ (20,523)
Total	\$ (20,523)

The effect of the adjustment is to decrease beginning balance – amount of decrease in change in net position for the year ended September 30, 2012.

**NOTE 4: Related Organization**

There were no related organization transactions for the year ended September 30, 2013.

**NOTE 5: Claims and Judgments**

At September 30, 2013, the Authority was not a defendant to any lawsuit whose outcome would be material to the financial statements. No provision was made in the audited financial statements for any contingent liabilities. In the opinion of management and the Authority's attorney, there is no legal matter that will have a materially adverse affect on the Authority's financial position.



**SANFORD HOUSING AUTHORITY**  
Sanford, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**NOTE 6: Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in public entity risk pool, North Carolina Housing Authority's Risk Retention Pool (NCHARRP) for all risks of loss, including worker's compensation, general liability, fire and extended coverage, fidelity bond, automobile, and Director and Officers liability. Through this pool, the Authority obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of the coverage documents. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the Authority's employees that have access to \$100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$175,000. The remaining employees that have access to funds are bonded under a blanket bond for \$175,000.

**NOTE 7: Conduit Type Debt**

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by the United States Department of HUD. There is no debt or pledge of faith and credit on part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority.

HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

**NOTE 8: Subsequent Events**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Authority through January 23, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



**SANFORD HOUSING AUTHORITY**  
Sanford, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**NOTE 9: Commitments and Contingencies**

Examinations: The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing grants given to the Authority in the current and prior years. There were no examinations during the year ended September 30, 2013.

Grant Disallowances: Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

Construction Commitments: The Authority may have major construction projects in progress from time to time. These may include modernizing rental units at the project sites. As of September 30, 2013, the Authority had \$196,928 in construction related commitments.

**NOTE 10: Concentrations**

For the year ended September 30, 2013, approximately 80.85% of revenues are received from the Department of Housing and Urban Development through various grants.

The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

## SUPPLEMENTAL INFORMATION SECTION

**SANFORD HOUSING AUTHORITY**  
Sanford, North Carolina

**COMBINING SCHEDULE OF NET POSITION – PROPRIETARY FUND TYPE**

As of September 30, 2013

	Public Housing Projects	Housing Choice Vouchers	Business Activities	Shelter Plus Care	Component Unit	Fair Housing Assistance Program	ROSS	COCC	Elimination	Total
<b>ASSETS</b>										
Current Assets:										
Cash and cash equivalents - unrestricted	\$ 1,193,892	\$ 73,168	\$ 47,012	\$ -	\$ 164,710	\$ -	\$ -	\$ 598,636	\$ -	\$ 2,077,418
Restricted cash	262,904	63,196	3,500	-	12,810	-	-	-	-	342,410
Tenant rents receivable, net of allowance	7,855	-	-	-	900	-	-	-	-	8,755
Investments	-	-	3,748	-	654	-	-	-	-	4,402
Due from HUD	206,491	-	-	828	-	-	-	-	-	207,319
Accounts receivable - other, net of allowance	22	17,573	-	-	-	-	-	1,400	(828)	18,167
Accrued interest receivable	-	-	26	-	-	-	-	-	-	26
Supplies inventory, net of allowance	35,324	-	-	-	-	-	-	-	-	35,324
Prepaid expenses	68,433	2,176	80	-	19,871	-	-	6,353	-	97,813
Total current assets	1,774,921	156,113	54,366	828	198,945	-	-	1,493	-	2,129,557
Noncurrent Assets:										
Capital Assets:										
Nondepreciable capital assets	1,968,196	-	90,545	-	19,426	-	-	90,545	-	2,168,712
Depreciable capital assets, net	8,237,372	474	257,122	-	466,639	-	-	297,678	-	9,259,285
Total capital assets	10,205,568	474	347,667	-	486,065	-	-	388,223	-	11,427,997
Total noncurrent assets	10,205,568	474	347,667	-	486,065	-	-	388,223	-	11,427,997
Total assets	11,980,489	156,587	402,033	828	685,010	-	-	996,105	(828)	14,220,224
<b>LIABILITIES</b>										
Current Liabilities:										
Accounts payable and accrued liabilities	210,849	1,342	636	-	86	-	-	3,201	-	216,114
Accrued wages payable	11,095	3,978	642	-	1,584	-	-	5,393	-	22,692
Tenant security deposits	35,200	-	3,500	-	12,810	-	-	-	-	51,510
Unearned revenues	5,175	-	-	-	-	-	-	-	-	5,175
Accrued compensated absences	5,770	3,358	937	-	867	-	-	8,280	-	19,212
Due to other governments	28,671	-	-	-	-	-	-	-	-	28,671
Due to HUD	-	399	-	-	-	-	-	-	-	399
Notes and bonds payable	123,364	-	-	-	13,778	-	-	-	-	137,142
Other current liabilities	17,533	30,031	-	828	-	-	-	121	(828)	47,685
Total current liabilities	437,657	39,108	5,715	828	29,125	-	-	16,995	(828)	528,600
Noncurrent Liabilities:										
Notes and bonds payable	1,914,985	-	-	-	383,673	-	-	-	-	2,298,658
Accrued compensated absences	17,306	10,076	2,811	-	2,599	-	-	24,841	-	57,633
Total noncurrent liabilities	1,932,291	10,076	2,811	-	386,272	-	-	24,841	-	2,356,291
Total liabilities	2,369,948	49,184	8,526	828	415,397	-	-	41,836	(828)	2,884,891
<b>NET POSITION</b>										
Investment in net capital assets	8,167,219	474	347,667	-	88,614	-	-	388,223	-	8,992,197
Restricted net position	227,482	33,165	-	-	-	-	-	-	-	260,647
Unrestricted net position	1,215,840	73,764	45,840	-	180,999	-	-	566,046	-	2,082,489
Total net position	\$ 9,610,541	\$ 107,403	\$ 393,507	\$ -	\$ 269,613	\$ -	\$ -	\$ 954,269	\$ -	\$ 11,335,333



**SANFORD HOUSING AUTHORITY**  
Sanford, North Carolina

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET POSITION - PROPRIETARY FUND TYPE**

For the Year Ended September 30, 2013

	Public Housing Projects	Housing Choice Vouchers	Business Activities	Shelter Plus Care	Component Unit	Fair Housing Assistance Program	ROSS	COCC	Eliminations	Total
<b>Operating revenues:</b>										
Tenant rental revenue (net)	\$ 889,022	\$ -	\$ 42,000	\$ -	\$ 36,054	\$ -	\$ -	\$ -	\$ -	\$ 967,076
Fee revenue	-	-	-	-	-	-	-	437,048	(437,048)	-
HUD PHA grants	1,533,328	2,398,084	-	48,351	-	30,000	18,302	-	-	4,028,065
Other revenue	70,346	34,436	19,662	-	12,770	-	-	41,708	(24,000)	154,922
Total operating revenues	2,492,696	2,432,520	61,662	48,351	48,824	30,000	18,302	478,756	(461,048)	5,150,063
<b>Operating expenses:</b>										
Administration	870,522	325,056	44,707	3,520	29,867	30,000	18,302	322,091	(409,268)	1,234,797
Asset management fee	51,780	-	-	-	-	-	-	-	(51,780)	-
Tenant services	32,208	-	10,554	-	2,500	-	-	-	-	45,262
Utilities	608,535	-	-	-	7,954	-	-	12,341	-	628,830
Ordinary maintenance	658,474	2,230	20	-	23,160	-	-	140,651	-	824,555
Protective services	40,210	-	-	-	-	-	-	1,187	-	41,397
Insurance	89,961	7,343	248	-	8,479	-	-	6,083	-	112,114
Other general expenses	77,377	4,673	1,174	-	3,026	-	-	14,756	-	101,006
Housing assistance payments	-	2,320,999	-	44,831	-	-	-	-	-	2,365,830
Depreciation	566,016	632	14,685	-	7,313	-	-	17,660	-	606,306
Fraud losses	-	4,390	-	-	-	-	-	-	-	4,390
Casualty losses	15,705	-	-	-	-	-	-	-	-	15,705
Total operating expenses	3,010,788	2,665,323	71,388	48,351	82,299	30,000	18,302	514,769	(461,048)	5,980,172
Operating income (loss)	(518,092)	(232,803)	(9,726)	-	(33,475)	-	-	(36,013)	-	(830,109)
<b>Nonoperating revenue (expenses):</b>										
Interest income	2,716	133	101	-	283	-	-	176	-	3,409
Interest and expense	(94,992)	-	-	-	(2,195)	-	-	-	-	(97,187)
Total nonoperating revenue (expenses)	(92,276)	133	101	-	(1,912)	-	-	176	-	(93,778)
Net income (Loss) before contributions and transfers	(610,368)	(232,670)	(9,625)	-	(35,387)	-	-	(35,837)	-	(923,887)
Contributions - capital grants	723,619	-	-	-	-	-	-	-	-	723,619
Transfers from (to) other programs	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in net position	113,251	(232,670)	(9,625)	-	(35,387)	-	-	(35,837)	-	(200,268)
Net position, beginning of year as restated	9,497,290	340,073	403,132	-	305,000	-	-	990,106	-	11,535,601
Net position, end of year	\$ 9,610,541	\$ 107,403	\$ 393,507	\$ -	\$ 269,613	\$ -	\$ -	\$ 954,269	\$ -	\$ 11,335,333

**SANFORD HOUSING AUTHORITY**

Sanford, North Carolina

**STATEMENT AND CERTIFICATION OF ACTUAL  
CAPITAL FUND PROGRAM COSTS**

September 30, 2013

CFP 501 (2010)

- 
- 
1. The actual capital fund program costs are as follows:

Funds approved	\$ 756,098
Funds expended	<u>(756,098)</u>
Excess (deficiency) of funds approved	<u>\$ -</u>
Funds advanced	\$ 756,098
Funds expended	<u>(756,098)</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

2. Costs incurred during the current audit period totaled \$32,675.
3. All costs have been paid and all liabilities have been discharged through payment.
4. The Actual Modernization Cost Certificate, filed with HUD, is in agreement with the Authority's records.

*See auditor's report.*

**SANFORD HOUSING AUTHORITY**

Sanford, North Carolina

**STATEMENT AND CERTIFICATION OF ACTUAL  
CAPITAL FUND PROGRAM COSTS**

September 30, 2013

CFP 501 (2011)

- 
- 
1. The actual capital fund program costs are as follows:

Funds approved	\$ 650,616
Funds expended	<u>(650,616)</u>
Excess (deficiency) of funds approved	<u>\$ -</u>
Funds advanced	\$ 650,616
Funds expended	<u>(650,616)</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

2. Costs incurred during the current audit period totaled \$365,788.
3. All costs have been paid and all liabilities have been discharged through payment.
4. The Actual Modernization Cost Certificate, filed with HUD, is in agreement with the Authority's records.

*See auditor's report.*



**SANFORD HOUSING AUTHORITY**  
Sanford, North Carolina

**STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED**

September 30, 2013

CFP - 501 (2012)

- 
- 
1. The capital fund program costs are as follows:

Funds approved	\$ 570,529
Funds expended	<u>(360,513)</u>
Excess (deficiency) of funds approved	<u><u>\$ 210,016</u></u>
Funds advanced	\$ 356,633
Funds expended	<u>(360,513)</u>
Excess (deficiency) of funds advanced	<u><u>\$ (3,880)</u></u>

2. Costs incurred during the current audit period totaled \$353,063.

*See auditor's report.*

**SANFORD HOUSING AUTHORITY**

Sanford, North Carolina

**STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED**

September 30, 2013

Safety CFP - 501 (2012)

- 
- 
1. The capital fund program costs are as follows:

Funds approved	\$ 244,500
Funds expended	<u>(118,620)</u>
Excess (deficiency) of funds approved	<u>\$ 125,880</u>
Funds advanced	\$ -
Funds expended	<u>(118,620)</u>
Excess (deficiency) of funds advanced	<u>\$ (118,620)</u>

2. Costs incurred during the current audit period totaled \$118,620.

*See auditor's report.*

**SANFORD HOUSING AUTHORITY**

Sanford, North Carolina

**STATEMENT OF CAPITAL FUND PROGRAM COSTS – UNCOMPLETED**

September 30, 2013

CFP - 501 (2013)

- 
- 
1. The capital fund program costs are as follows:

Funds approved	\$ 570,529
Funds expended	<u>(86,991)</u>
Excess (deficiency) of funds approved	<u>\$ 483,538</u>
Funds advanced	\$ 3,000
Funds expended	<u>(86,991)</u>
Excess (deficiency) of funds advanced	<u>\$ (83,991)</u>

2. Costs incurred during the current audit period totaled \$86,991.

*See auditor's report.*



**SANFORD HOUSING AUTHORITY**  
Sanford, North Carolina

**LOW RENT PUBLIC HOUSING PROJECTS**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL (NON-GAAP)**

For the Year Ended September 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Tenant rental revenue (net)	\$ 843,000	\$ 889,022	\$ 46,022
HUD PHA grants	1,510,000	1,181,687	(328,313)
Other revenue	134,000	70,346	(63,654)
Total operating revenues	<u>2,487,000</u>	<u>2,141,055</u>	<u>(345,945)</u>
Operating expenses:			
Administration	832,769	795,902	36,867
Asset management fee	52,920	51,780	1,140
Tenant services	35,166	32,208	2,958
Utilities	709,800	608,535	101,265
Ordinary maintenance	534,623	381,453	153,170
Protective services	40,000	40,210	(210)
Insurance	106,000	89,961	16,039
Other general expenses	77,500	77,377	123
Casualty losses	-	15,705	(15,705)
Total operating expenses	<u>2,388,778</u>	<u>2,093,131</u>	<u>295,647</u>
Operating income (loss)	<u>98,222</u>	<u>47,924</u>	<u>(50,298)</u>
Nonoperating revenue (expenses):			
Interest income	3,000	2,716	(284)
Total nonoperating revenue (expenses)	<u>3,000</u>	<u>2,716</u>	<u>(284)</u>
Net income (Loss) before transfers	101,222	50,640	(50,582)
Transfers from (to) other programs	-	-	-
Increase (decrease) in net assets	<u>\$ 101,222</u>	<u>\$ 50,640</u>	<u>\$ (50,582)</u>
Reconciliation of modified accrual basis net income to full accrual net income:			
Net income (loss) - operating fund (as above)		\$ 50,640	
Depreciation expense		(566,016)	
Net loss - full accrual basis		<u>\$ (515,376)</u>	

See Auditor's report.

**SANFORD HOUSING AUTHORITY**

Sanford, North Carolina

**CENTRAL OFFICE COST CENTER**

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL (NON-GAAP)**

For the Year Ended September 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Fee revenue	\$ 405,030	\$ 437,048	\$ 32,018
Other revenue	12,000	41,708	29,708
Total operating revenues	<u>417,030</u>	<u>478,756</u>	<u>61,726</u>
Operating expenses:			
Administration	273,570	322,091	(48,521)
Utilities	12,500	12,341	159
Ordinary maintenance	88,410	140,651	(52,241)
Protective services	-	1,187	(1,187)
Insurance	4,500	6,083	(1,583)
Other general expenses	2,500	14,756	(12,256)
Total operating expenses	<u>381,480</u>	<u>497,109</u>	<u>(115,629)</u>
Operating income (loss)	<u>35,550</u>	<u>(18,353)</u>	<u>(53,903)</u>
Nonoperating revenue (expenses):			
Interest income	2,000	176	(1,824)
Total nonoperating revenue (expenses)	<u>2,000</u>	<u>176</u>	<u>(1,824)</u>
Net income (Loss) before transfers	37,550	(18,177)	(55,727)
Transfers from (to) other programs	-	-	-
Increase (decrease) in net assets	<u>\$ 37,550</u>	<u>\$ (18,177)</u>	<u>\$ (55,727)</u>
Reconciliation of modified accrual basis net income to full accrual net income:			
Net income (loss) - operating fund (as above)		\$ (18,177)	
Depreciation expense		<u>(17,660)</u>	
Net loss - full accrual basis		<u>\$ (35,837)</u>	

See Auditor's report.

**SANFORD HOUSING AUTHORITY**

Sanford, North Carolina

**SECTION 8 HOUSING CHOICE VOUCHER**

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL (NON-GAAP)**

For the Year Ended September 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
HUD PHA grants	\$ 2,485,000	\$ 2,398,084	\$ (86,916)
Other revenue	74,226	34,436	(39,790)
Total operating revenues	<u>2,559,226</u>	<u>2,432,520</u>	<u>(126,706)</u>
Operating expenses:			
Administration	302,537	325,056	(22,519)
Ordinary maintenance	-	2,230	(2,230)
Insurance	4,000	7,343	(3,343)
Other general expenses	-	4,673	(4,673)
Housing assistance payments	2,240,000	2,320,999	(80,999)
Fraud losses	-	4,390	(4,390)
Total operating expenses	<u>2,546,537</u>	<u>2,664,691</u>	<u>(118,154)</u>
Operating income (loss)	<u>12,689</u>	<u>(232,171)</u>	<u>(244,860)</u>
Nonoperating revenue (expenses):			
Interest income	1,000	133	(867)
Total nonoperating revenue (expenses)	<u>1,000</u>	<u>133</u>	<u>(867)</u>
Net income (Loss) before transfers	13,689	(232,038)	(245,727)
Transfers from (to) other programs	-	-	-
Increase (decrease) in net assets	<u>\$ 13,689</u>	<u>\$ (232,038)</u>	<u>\$ (245,727)</u>
Reconciliation of modified accrual basis net income to full accrual net income:			
Net income (loss) - operating fund (as above)		\$ (232,038)	
Depreciation expense		(632)	
Net loss - full accrual basis		<u>\$ (232,670)</u>	

See Auditor's report.



**SANFORD HOUSING AUTHORITY**

Sanford, North Carolina

**ADMINISTRATIVE OFFICES PROGRAM**

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL (NON-GAAP)**

For the Year Ended September 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Tenant rental revenue (net)	\$ 42,000	\$ 42,000	\$ -
Other revenue	25,000	19,662	(5,338)
Total operating revenues	<u>67,000</u>	<u>61,662</u>	<u>(5,338)</u>
Operating expenses:			
Administration	60,468	44,707	15,761
Tenant services	14,000	10,554	3,446
Utilities	500	-	500
Ordinary maintenance	4,000	20	3,980
Insurance	-	248	(248)
Other general expenses	1,000	1,174	(174)
Total operating expenses	<u>79,968</u>	<u>56,703</u>	<u>23,265</u>
Operating income (loss)	<u>(12,968)</u>	<u>4,959</u>	<u>17,927</u>
Nonoperating revenue (expenses):			
Interest income	-	101	101
Total nonoperating revenue (expenses)	<u>-</u>	<u>101</u>	<u>101</u>
Net income (Loss) before transfers	<u>(12,968)</u>	<u>5,060</u>	<u>18,028</u>
Transfers from (to) other programs	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ (12,968)</u>	<u>\$ 5,060</u>	<u>\$ 18,028</u>
Reconciliation of modified accrual basis net income to full accrual net income:			
Net income (loss) - operating fund (as above)		\$ 5,060	
Depreciation expense		(14,685)	
Net loss - full accrual basis		<u>\$ (9,625)</u>	

See Auditor's report.

**SANFORD HOUSING AUTHORITY**  
Sanford, North Carolina

Schedule of Expenditures of Federal Awards  
For the Twelve Months Ended September 30, 2013

FEDERAL GRANTOR	Federal CFDA Number	Program or Award Amount	Beginning Balance	Receipts	Disbursements or Expenditures	Ending Balance
U. S. Department of HUD Direct Programs:						
Public Housing:						
Low-rent Housing Program	*14.850	\$ 1,299,808	-	\$ 1,299,808	\$ 1,299,808	-
Capital Fund Program	*14.872	\$ 1,776,571	-	957,139	957,139	-
Fair Housing Assistance Program	**14.401	\$ 50,000	-	30,000	30,000	-
Resident Opportunity and Supportive Services	**14.870	\$ 44,226	-	18,302	18,302	-
Housing Assistance Payments Program:						
Section 8 - Housing Choice Voucher	*14.871	\$ 2,398,084	-	2,398,084	2,398,084	+
Shelter Plus Care	**14.238	\$ 48,351	-	48,351	48,351	-
Total HUD			-	\$ 4,751,684	\$ 4,751,684	-

This schedule includes the federal grant activity of the Sanford Housing Authority and is presented to the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

\* - Type A program  
\*\*-Type B program  
+ -Major program

See auditor's report.



Sanford Housing Authority (NC035)  
SANFORD, NC

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2013

	Project Total	14,871 Housing Choice Vouchers	14,401 Fair Housing Assistance Program, State and Local	14,238 Shelter Plus Care	6 Component Units	1 Business Activities	14,870 Resident Opportunity and Supportive Services	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,193,892	\$73,168			\$164,710	\$47,012		\$598,636	\$2,077,418		\$2,077,418
112 Cash - Restricted - Modernization and Development											
113 Cash - Other Restricted	\$227,704	\$63,196							\$230,900		\$230,900
114 Cash - Tenant Security Deposits	\$35,200				\$12,810	\$3,500			\$51,510		\$51,510
115 Cash - Restricted for Payment of Current Liabilities											
100 Total Cash	\$1,456,796	\$136,364	\$0	\$0	\$177,520	\$50,512	\$0	\$598,636	\$2,419,828	\$0	\$2,419,828
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects	\$206,491			\$828					\$207,319		\$207,319
124 Accounts Receivable - Other Government		\$1,000							\$1,000		\$1,000
125 Accounts Receivable - Miscellaneous	\$22							\$1,400	\$1,422		\$1,422
126 Accounts Receivable - Tenants	\$14,444				\$901				\$15,345		\$15,345
126.1 Allowance for Doubtful Accounts - Tenants	\$6,589										
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	-\$1			\$0	-\$6,590		-\$6,590
127 Notes, Loans, & Mortgages Receivable - Current											
128 Fraud Recovery		\$16,297							\$0		\$0
128.1 Allowance for Doubtful Accounts - Fraud		-\$652							\$16,297		\$16,297
129 Accrued Interest Receivable									-\$552		-\$552
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$214,368	\$16,745	\$0	\$828	\$900	\$26	\$0	\$1,400	\$234,267	\$0	\$234,267
131 Investments - Unrestricted					\$654	\$3,748			\$4,402		\$4,402
132 Investments - Restricted											
135 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets	\$88,433	\$2,176			\$19,871	\$80		\$1,483	\$92,053		\$92,053
143 Inventories	\$39,248							\$7,059	\$46,307		\$46,307
143.1 Allowance for Obsolete Inventories	-\$3,924							-\$706	-\$4,630		-\$4,630
144 Inter Program Due From		\$828							\$828	-\$828	\$0
145 Assets Held for Sale											
150 Total Current Assets	\$1,774,921	\$156,113	\$0	\$828	\$198,945	\$54,366	\$0	\$607,882	\$2,793,055	-\$828	\$2,792,227
161 Land											
162 Buildings	\$722,212				\$19,426	\$90,545		\$90,545	\$922,728		\$922,728
163 Furniture, Equipment & Machinery - Dwellings	\$18,895,767				\$491,943	\$386,800		\$510,987	\$20,265,497		\$20,265,497
164 Furniture, Equipment & Machinery - Administration											
165 Leasehold Improvements	\$325,467	\$53,240				\$7,003		\$177,008	\$562,718		\$562,718
166 Accumulated Depreciation	\$235,083								\$235,083		\$235,083
167 Construction in Progress	-\$11,218,945	-\$52,766			-\$25,304	-\$116,681		-\$390,317	-\$11,804,013		-\$11,804,013
168 Infrastructure	\$1,245,984								\$1,245,984		\$1,245,984
160 Total Capital Assets, Net of Accumulated Depreciation	\$10,205,568	\$474	\$0	\$0	\$486,065	\$347,667	\$0	\$388,223	\$11,427,597	\$0	\$11,427,597
171 Notes, Loans and Mortgages Receivable - Non-Current											
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due											
173 Grants Receivable - Non Current											
174 Other Assets											
176 Investments in Joint Ventures											
180 Total Non-Current Assets	\$10,205,568	\$474	\$0	\$0	\$486,065	\$347,667	\$0	\$388,223	\$11,427,597	\$0	\$11,427,597
190 Total Assets	\$11,990,489	\$156,587	\$0	\$828	\$685,010	\$402,033	\$0	\$996,105	\$14,221,052	-\$828	\$14,220,224
311 Bank Overdraft											



312	Accounts Payable <= 90 Days	\$9,227	\$1,342			\$86	\$636	\$3,201	\$14,492		\$14,492
313	Accounts Payable >90 Days Past Due										
321	Accrued Wage/Payroll Taxes Payable	\$11,095	\$3,978			\$1,564	\$642	\$5,393	\$22,692		\$22,692
322	Accrued Compensated Absences - Current Portion	\$5,770	\$3,358			\$667	\$937	\$8,280	\$19,212		\$19,212
324	Accrued Contingency Liability										
325	Accrued Interest Payable										
331	Accounts Payable - HUD PHA Programs		\$399						\$399		\$399
332	Account Payable - PHA Projects										
333	Accounts Payable - Other Government	\$28,671									
341	Tenant Security Deposits	\$35,200							\$28,671		\$28,671
342	Deferred Revenues	\$5,175				\$12,810	\$3,500		\$51,510		\$51,510
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$123,384				\$13,778			\$5,175		\$5,175
344	Current Portion of Long-term Debt - Operating Borrowings								\$137,142		\$137,142
345	Other Current Liabilities	\$17,533	\$30,031					\$121	\$47,685		\$47,685
346	Accrued Liabilities - Other	\$201,622							\$201,622		\$201,622
347	Inter Program - Due To					\$928			\$928		\$0
348	Loan Liability - Current										
310	Total Current Liabilities	\$437,657	\$39,108	\$0	\$928	\$29,125	\$5,715	\$16,995	\$529,428	\$-828	\$528,600
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$1,914,985				\$383,673			\$2,298,658		\$2,298,658
352	Long-term Debt, Net of Current - Operating Borrowings										
353	Non-current Liabilities - Other										
354	Accrued Compensated Absences - Non Current	\$17,306	\$10,076			\$2,599	\$2,811	\$24,841	\$57,633		\$57,633
355	Loan Liability - Non Current										
356	FASB 5 Liabilities										
357	Accrued Pension and OPEB Liabilities										
350	Total Non-Current Liabilities	\$1,932,291	\$10,076	\$0	\$0	\$386,272	\$2,811	\$24,841	\$2,356,291	\$0	\$2,356,291
300	Total Liabilities	\$2,369,948	\$49,184	\$0	\$928	\$415,397	\$8,526	\$41,836	\$2,885,719	\$-828	\$2,884,891
508.1	Invested in Capital Assets, Net of Related Debt	\$8,167,219	\$474			\$88,614	\$347,667	\$388,223	\$8,992,197		\$8,992,197
511.1	Restricted Net Assets	\$227,482	\$33,165						\$280,647		\$280,647
512.1	Unrestricted Net Assets	\$1,215,840	\$73,764	\$0	\$0	\$180,999	\$45,840	\$566,046	\$2,082,489		\$2,082,489
513	Total Equity/Net Assets	\$9,610,541	\$107,403	\$0	\$0	\$269,613	\$393,507	\$954,269	\$11,335,333	\$0	\$11,335,333
600	Total Liabilities and Equity/Net Assets	\$11,960,489	\$166,587	\$0	\$928	\$685,010	\$402,033	\$956,105	\$14,221,052	\$-828	\$14,220,224



Sanford Housing Authority (NC035)

SANFORD, NC

Entity Wide Revenue and Expense Summary

Fiscal Year End: 09/30/2013

Submission Type: Audited/A-133

	Project Total	14.871 Housing Choice Vouchers	14.401 Fair Housing Assistance Program_State and Local	14.238 Shelter Plus Care	6 Component Units	1 Business Activities	14.870 Resident Opportunity and Supportive Services	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$861,116				\$36,054	\$42,000			\$939,170		\$939,170
70400 Tenant Revenue - Other	\$27,906								\$27,906		\$27,906
70500 Total Tenant Revenue	\$889,022	\$0	\$0	\$0	\$36,054	\$42,000	\$0	\$0	\$967,076	\$0	\$967,076
70600 HUD PHA Operating Grants	\$1,533,328	\$2,398,084					\$18,302		\$3,998,065		\$3,998,065
70610 Capital Grants	\$723,619			\$48,351					\$723,619		\$723,619
70700 Management Fee											
70720 Asset Management Fee								\$344,858	\$344,858	-\$344,858	\$0
70730 Book Keeping Fee								\$51,780	\$51,780	-\$51,780	\$0
70740 Front Line Service Fee								\$40,410	\$40,410	-\$40,410	\$0
70750 Other Fees											
70700 Total Fee Revenue								\$437,048	\$437,048	-\$437,048	\$0
70800 Other Government Grants											
71100 Investment Income - Unrestricted	\$2,572	\$133	\$30,000		\$283	\$101		\$176	\$30,000		\$30,000
71200 Mortgage Interest Income									\$3,265		\$3,265
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery		\$25,635							\$25,635		\$25,635
71500 Other Revenue	\$70,346	\$8,601						\$41,708	\$153,087	-\$24,000	\$129,087
71600 Gain or Loss on Sale of Capital Assets											
72000 Investment Income - Restricted	\$144								\$144		\$144
70000 Total Revenue	\$3,219,031	\$2,432,653	\$30,000	\$48,351	\$12,770	\$51,763	\$18,302	\$478,932	\$6,338,139	-\$461,048	\$5,877,091
91100 Administrative Salaries	\$218,509	\$167,689	\$27,840	\$1,711	\$7,822	\$22,046	\$12,760	\$140,099	\$598,476		\$598,476
91200 Auditing Fees	\$10,000	\$800			\$2,000				\$12,800		\$12,800
91300 Management Fee	\$333,858				\$11,000				\$344,858	-\$344,858	\$0
91310 Book-keeping Fee	\$40,410								\$40,410	-\$40,410	\$0
91400 Advertising and Marketing											
91500 Employee Benefit Contributions - Administrative	\$150,414	\$78,180	\$2,160	\$1,457	\$588	\$9,877	\$5,542	\$84,798	\$314,026		\$314,026
91600 Office Expenses	\$54,711	\$75,541		\$352	\$8,447	\$12,784		\$98,565	\$250,400	-\$24,000	\$226,400
91700 Legal Expense	\$1,125							\$11,946	\$13,071		\$13,071
91800 Travel	\$2,727	\$335						\$6,683	\$9,745		\$9,745
91810 Allocated Overhead											
91900 Other	\$58,768	\$1,511							\$60,279		\$60,279
91000 Total Operating - Administrative	\$870,522	\$325,056	\$30,000	\$3,520	\$29,867	\$44,707	\$18,302	\$322,091	\$1,644,065	-\$409,268	\$1,234,797
92000 Asset Management Fee	\$51,780								\$51,780	-\$51,780	\$0
92100 Tenant Services - Salaries	\$15,021								\$15,021		\$15,021
92200 Relocation Costs											
92300 Employee Benefit Contributions - Tenant Services	\$2,269								\$2,269		\$2,269
92400 Tenant Services - Other	\$14,918				\$2,500	\$10,554			\$27,972		\$27,972
92500 Total Tenant Services	\$32,208	\$0	\$0	\$0	\$2,500	\$10,554	\$0	\$0	\$45,262	\$0	\$45,262
93100 Water	\$97,088							\$678	\$99,189		\$99,189
93200 Electricity	\$157,152				\$1,423			\$10,778	\$174,461		\$174,461
93300 Gas					\$6,531				\$191,825		\$191,825
93400 Fuel	\$191,825										
93500 Labor											
93600 Sewer								\$885	\$163,355		\$163,355
	\$162,470										









## **SINGLE AUDIT SECTION**

# Phillip C. Jarrell, LLC

Certified Public Accountant

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Sanford Housing Authority  
Sanford, North Carolina

I have audited, 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, the financial statements of the Sanford Housing Authority, which comprise the statement of net position as of September 30, 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon January 23, 2014.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Sanford Housing 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sanford Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Sanford Housing Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Sanford Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

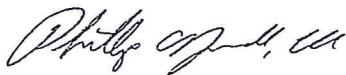


## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanford Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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



Phillip C. Jarrell, LLC  
Certified Public Accountant

Hazlehurst, Georgia  
January 23, 2014

# Phillip C. Jarrell, LLC

Certified Public Accountant

266 Baxley Hwy.

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Hazlehurst, Georgia 31539

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

Board of Commissioners  
Sanford Housing Authority  
Sanford, North Carolina

### Report on Compliance for Each Major Program

I have audited Sanford Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sanford Housing Authority's major federal programs for the year ended September 30, 2013. Sanford Housing Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Sanford Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Sanford Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance with each major program. However, my audit does not provide a legal determination of Sanford Housing Authority's compliance.



## Opinion on Each Major Program

In my opinion, Sanford Housing 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 identified above for the year ended September 30, 2013.

## Report on Internal Control Over Compliance

Management of Sanford Housing 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 my audit of compliance, I considered Sanford Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Sanford Housing Authority's internal control over compliance.

*A deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirements 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 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 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 the attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, material weaknesses may exist that have not been identified.

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



Phillip C. Jarrell, LLC  
Certified Public Accountant

Hazlehurst, Georgia  
January 23, 2014



**SANFORD HOUSING AUTHORITY**

Sanford, North Carolina

September 30, 2013

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Section I - Summary of Auditor's Results:**

**Financial Statements**

Type of report issued on the financial statements:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to the financial statements noted?	None Reported

**Federal Awards**

Internal controls over major program:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported

Type of report issued on the compliance for major program:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
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Identification of major programs:	14.871 Section 8 Housing Choice Voucher
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Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Did the Authority qualify as a low-risk auditee?	No
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**Section II - Financial Statement Findings:**

There were no audit findings disclosed relating to this area for the period ended September 30, 2013.

**Section III - Federal Awards:**

There were no audit findings disclosed relating to this area for the period ended September 30, 2013.

**SANFORD HOUSING AUTHORITY**  
Sanford, North Carolina

September 30, 2013

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

The prior audit report for the year ended September 30, 2012 contained no audit findings.