

**Housing Authority of the City of Lumberton**

**Lumberton, North Carolina**

**Financial Statements**

**March 31, 2014**

Prepared by:

Collins Kemp & Patterson, PLLC  
Lumberton, North Carolina

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# **Independent Auditor's Report**



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Member:  
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### **Independent Auditor's Report**

To the Chairman and the Board of Commissioners  
Housing Authority of the City of Lumberton  
Lumberton, North Carolina

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

We have audited the accompanying basic financial statements of each major fund of the Housing Authority of the City of Lumberton, Lumberton, North Carolina as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion.

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Housing Authority of the City of Lumberton  
Independent Auditor's Report  
Lumberton, North Carolina

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 financial statement presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Lumberton, Lumberton, North Carolina as of March 31, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Supplementary and Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The individual fund financial schedules, the schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Financial Data Schedule required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial schedules, the accompanying schedule of expenditures of federal awards, as well as the Financial Data Schedule, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Housing Authority of the City of Lumberton  
Independent Auditor's Report  
Lumberton, North Carolina

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2014, on our consideration of the Housing Authority of the City of Lumberton, Lumberton, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Authority's internal control over financial reporting and compliance.

*Collins Kemp & Patterson PLLC*  
Lumberton, NC  
September 30, 2014



## **Management's Discussion and Analysis**

## **Housing Authority of the City of Lumberton Management's Discussion and Analysis For the Year Ending March 31, 2014**

The management of the Housing Authority of the City of Lumberton (the Authority) offers readers of the Authority's financial statements this narrative overview and analysis of their financial activities for the fiscal year ended (FYE) March 31, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

### **Financial Highlights**

During the FYE March 31, 2014, the Authority's net position changed by -\$433,633 or -2.25%, to \$18,820,342 , net investment in capital assets changed by -\$581,919 or -3.41%, to \$16,481,322 , unrestricted net position changed by \$12,840 , or 0.59%, to \$2,203,574 , and restricted net position changed by \$135,446 to \$135,446 .

The operating revenues are \$8,351,387 for the FYE March 31, 2014.

Total operating expenses of all the Authority's programs were \$9,069,419 during the FYE March 31, 2014.

### **Overview of the Financial Statements**

The Authority's basic financial statements consist of three components: 1) the MD&A, 2) fund financial statements, and 3) notes to the financial statements. Because the Authority is a special-purpose government engaged in business-type activities only, the financial statements are presented in accordance with paragraph 138 of GASB Statement 34. In addition to the financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Authority. In addition to the management's discussion and analysis, management has prepared the Statement of Net Position, the Statement of Revenues, Expenses and Change in Net Position, and the Statement of Cash Flows.

### **Overview of the Authority**

The Housing Authority of the City of Lumberton's primary mission is to provide housing to those eligible in the City of Lumberton area as determined by the US Department of Housing and Urban Development (HUD). The Authority's operations and capital expansion program are funded almost entirely through rental fees and subsidies received from HUD.

### **Fund Financial Statements**

The financial statements are presented on the fund basis. The fund financial statements provide a more detailed look at the Authority's most significant activities by focusing on the individual activities of the major funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance, or non-compliance, with finance-related legal requirements, such as the General Statutes (G.S.), the Authority's budget ordinance, or applicable HUD guidelines. The focus is now on the activities of the major funds, and not on the type of fund. The Authority maintains several different funds based on their activities as required by HUD and for accountability and control. All of the funds are enterprise funds which use the full accrual basis of accounting and account for the Authority's activities in a manner similar to a for-profit business.

**Housing Authority of the City of Lumberton  
Management's Discussion and Analysis (continued)  
For the Year Ending March 31, 2014**

The Authority adopts an annual budget as required by G.S. 159-42(c), following budgetary guidelines put forth by HUD. The budget is a legally adopted document that incorporates input from the citizens and the management of the Authority and the decisions of the Board about which services to provide and how to pay for them. The budgetary statements demonstrate how well the Authority complied with the budget ordinance and whether or not the Authority succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statements use the budgetary basis of accounting and are presented using the same format, language, and classifications as the legal budget document. The budgetary statements are presented as supplementary information to demonstrate compliance with applicable state laws. To account for the difference between the budgetary basis of accounting and the full accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Notes to the Financial Statements** – The next section of the financial statements is the notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are on pages 13-25 of this report. After the notes, supplemental information is provided to show details about the Authority's individual funds.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information required by the US Department of Housing and Urban Development.

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Net position may serve over time as one useful indicator of a government's financial condition. The assets of the Authority exceeded liabilities and deferred inflows by \$18,820,342 as of March 31, 2014. The Authority's net position changed by -\$433,633 for the fiscal year ended March 31, 2014. The largest portion of net position, 87.57%, reflects the Authority's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. There is no outstanding related debt attributable to the capital assets. Of the remaining balance of \$2,339,020 , \$2,203,574 is unrestricted and \$135,446 is restricted.

The financial operations of the Authority influenced the total net position with the capital contribution of \$280,106 in the Capital Fund Program and the associated increase in capital assets.

**Housing Authority of the City of Lumberton  
Management's Discussion and Analysis (continued)  
For the Year Ending March 31, 2014**

<b>Authority's Changes in Net Position</b>		
	<b>2014</b>	<b>Restated 2013</b>
<b>Operating revenues</b>		
Dwelling rental	\$ 1,243,297	\$ 1,208,150
Excess utilities	201,456	152,740
Operating subsidy-HUD	5,324,307	5,410,253
Capital fund grants	563,980	605,562
Other revenues	1,018,347	197,372
<b>Total operating revenues</b>	<u>8,351,387</u>	<u>7,574,077</u>
<b>Operating expenses</b>		
Administration	2,437,931	1,635,291
Asset management fees	87,480	-
Tenant services	67,317	148,952
Utilities	1,596,264	1,441,027
Ordinary maintenance	1,188,123	1,847,574
Protective services	123,484	20,003
Insurance	155,937	153,805
General expense	79,749	92,678
Housing assistance payments	2,469,081	2,460,635
Depreciation	864,053	900,451
<b>Total operating expenses</b>	<u>9,069,419</u>	<u>8,700,416</u>
<b>Operating income (loss)</b>	<u>(718,032)</u>	<u>(1,126,339)</u>
<b>Nonoperating revenues (expenses):</b>		
Special items payback to HUD	-	(12,210)
Interest income	4,293	13,189
<b>Nonoperating revenues (expenses)</b>	<u>4,293</u>	<u>979</u>
Capital contributions	<u>280,106</u>	<u>935,574</u>
<b>Change in Net Position</b>	(433,633)	(189,786)
<b>Net Position, beginning of year</b>	<u>19,253,975</u>	<u>19,443,761</u>
<b>Net Position, end of year</b>	<u>\$ 18,820,342</u>	<u>\$ 19,253,975</u>

**Capital Asset and Debt Administration**

*Capital assets.* The Authority's investment in capital assets as of March 31, 2014, totals \$16,481,322 (net of accumulated depreciation). These assets include buildings, land, equipment, and vehicles.

**Housing Authority of the City of Lumberton  
Management’s Discussion and Analysis (continued)  
For the Year Ending March 31, 2014**

Major capital asset transactions during the year include remodeling work and improvements. The Authority’s capital assets increased primarily in the Low Rent Public Housing Fund.

	<b>2014</b>	<b>2013</b>
Land, non-depreciable improvements, and construction in progress	\$ 1,943,661	\$ 2,673,909
Buildings and improvements	31,988,651	31,077,089
Leasehold improvements	4,151,965	4,151,965
Furniture and equipment	1,068,408	967,096
Less accumulated depreciation	(22,671,363)	(21,806,818)
<b>Total capital assets</b>	<b>\$16,481,322</b>	<b>\$17,063,241</b>

Additional information on the Authority’s capital assets can be found in note 3 of the Basic Financial Statements.

**Economic Factors and Next Year’s Budgets and Rates**

The following key economic indicators reflect challenging opportunities facing the Authority in the upcoming year.

The City continues to experience high rates of unemployment, which will continue to increase the demand for low-income housing.

The Authority was subject to an on-site management review by HUD during March, 2012, results of which were presented in early 2013. The results of the report indicated that there were “systemic programmatic shortcomings within the administration” of the Authority. As a result of these findings, the Central Office Cost Center was ordered, through two separate agreements, to repay amounts to the Low Rent Public Housing Program, Housing Choice Voucher Program, and Housing and Urban Development in the amounts indicated below. On December 16, 2013, the Authority entered into an agreement by which the Central Office Cost Center will pay \$309,420 to the Low Rent Public Housing Project in 10 annual installments beginning March 31, 2015, and \$12,210 to HUD. On September 22, 2014, the Authority entered into an agreement by which the Central Office Cost Center will pay \$76,764 to the projects in 10 annual installments, beginning with the year ending March 31, 2015, \$22,519 to the Housing Choice Voucher Program, and \$32,504 to HUD.

**Housing Authority of the City of Lumberton  
Management's Discussion and Analysis (continued)  
For the Year Ending March 31, 2014**

**Economic Factors and Next Year's Budgets and Rates (continued)**

**Central Office Cost Center Payback**

	Agreement Dated 12/16/2013	Agreement Dated 9/22/2014	Less Payments	Total
<u>Internal activities</u>				
LRPH - NC014-000001	\$ 80,040	\$ 32,851	\$ (8,004)	\$ 104,887
LRPH - NC014-000002	90,265	22,339	(9,027)	103,577
LRPH - NC014-000003	139,115	21,574	(13,911)	146,778
Housing Choice Voucher Program	-	22,519	-	22,519
<b>Total internal activities</b>	<u>309,420</u>	<u>99,283</u>	<u>(30,942)</u>	<u>\$ 377,761</u>
Housing and Urban Development	<u>12,210</u>	<u>32,504</u>	<u>-</u>	<u>44,714</u>
<b>Total Central Office Cost Center Payback</b>	<u>\$ 321,630</u>	<u>\$ 131,787</u>	<u>\$ (30,942)</u>	<u>\$ 453,417</u>

Since the paybacks were from the COCC to the LRPB and HCV programs, these balances are eliminated upon consolidation as shown on the *Statement of Revenues, Expenses and Changes in Net Position - All Funds* as shown below.

<u>Internal activities</u>	<u>A/R</u>	<u>A/P</u>	<u>Total</u>
LRPH - NC014-000001	\$ 104,887	\$ -	\$ 104,887
LRPH - NC014-000002	103,577	-	103,577
LRPH - NC014-000003	146,778	-	146,778
Central Office Cost Center	<u>26,985</u>	<u>(377,761)</u>	<u>(350,776)</u>
	382,227	(377,761)	4,466
Housing Choice Voucher Program	<u>22,519</u>	<u>(26,985)</u>	<u>(4,466)</u>
<b>Total internal activities</b>	<u>\$ 404,746</u>	<u>\$ (404,746)</u>	<u>\$ -</u>

As a result of the above review, the Office of the Inspector General (OIG) conducted its own review. Based on this review, the OIG has determined that the Authority must re-examine all activity dating back to March 2008, related to the Low Rent Housing Program. The timing and outcome of this review, and if it will result in the payback of funds, are unknown at this time.

In an effort to comply with the findings, observations, and recommendations of HUD, the Authority has hired an interim Executive Director. He is overseeing the hiring of new management, the development of updated policies and procedures, and the implementation of better internal controls.

**Budget Highlights for the Fiscal Year Ending March 31, 2015**

Budgeted general operating expenses have been increased by .14% to cover the increased costs of operations. Tenant rents from vacant units are expected to make up the difference.

**Requests for Information**

**Housing Authority of the City of Lumberton  
Management's Discussion and Analysis (continued)  
For the Year Ending March 31, 2014**

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, 900 North Chestnut Street, Lumberton, North Carolina, 28358.

# **Financial Statements**



**Housing Authority of the City of Lumberton**  
**Combined Statement of Net Position - All Funds**  
**March 31, 2014**

	<u>Major Funds</u>		
	<u>Low Rent Public Housing Program</u>	<u>Housing Choice Voucher Program</u>	<u>Total Funds</u>
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 795,007	\$ 374,317	\$ 1,169,324
Short-term investments	1,402,949	103,105	1,506,054
Accounts receivable-HUD	53,394	-	53,394
Accounts receivable-Other	52,680	2,970	55,650
Supplies inventories	79,775	-	79,775
Internal activities	4,466	(4,466)	-
Prepaid items	148,844	5,222	154,066
<b>Total current assets</b>	<u>2,537,115</u>	<u>481,148</u>	<u>3,018,263</u>
<b>Non-current assets, capital assets</b>			
Land, non-depreciable improvements, and construction in progress	1,943,661	-	1,943,661
Buildings and improvements	31,988,651	-	31,988,651
Leasehold improvements	4,151,965	-	4,151,965
Furniture and equipment	1,042,631	25,777	1,068,408
Less accumulated depreciation	(22,646,689)	(24,674)	(22,671,363)
<b>Total non-current assets, capital assets</b>	<u>16,480,219</u>	<u>1,103</u>	<u>16,481,322</u>
<b>Total assets</b>	<u>\$ 19,017,334</u>	<u>\$ 482,251</u>	<u>\$ 19,499,585</u>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Note payable to HUD	\$ 44,714	\$ 64,870	\$ 109,584
Accounts payable	162,910	133,977	296,887
Accrued expenses	31,409	3,229	34,638
Unearned revenue	7,484	-	7,484
Customer deposits	110,428	-	110,428
Accrued vacation pay	95,851	12,289	108,140
<b>Total current liabilities</b>	<u>452,796</u>	<u>214,365</u>	<u>667,161</u>
<b>Non-current liabilities</b>			
Accrued vacation pay	9,170	2,912	12,082
<b>Total non-current liabilities</b>	<u>9,170</u>	<u>2,912</u>	<u>12,082</u>
<b>Total liabilities</b>	<u>461,966</u>	<u>217,277</u>	<u>679,243</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	16,480,219	1,103	16,481,322
Restricted	-	135,446	135,446
Unrestricted	2,075,149	128,425	2,203,574
<b>Total net position</b>	<u>\$ 18,555,368</u>	<u>\$ 264,974</u>	<u>\$ 18,820,342</u>

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

**Housing Authority of the City of Lumberton**  
**Combined Statement of Revenues, Expenses and Changes in Net Position - All Funds**  
**For The Year Ended March 31, 2014**

	<b>Major Funds</b>		
	<b>Low Rent Public Housing Program</b>	<b>Housing Choice Voucher Program</b>	<b>Total Funds</b>
<b>Operating revenues</b>			
Dwelling rental	\$ 1,243,297	\$ -	\$ 1,243,297
Excess utilities	201,456	-	201,456
Operating subsidy-HUD	2,536,594	2,787,713	5,324,307
Capital fund grants	563,980	-	563,980
Other revenues	979,539	38,808	1,018,347
<b>Total operating revenues</b>	<u>5,524,866</u>	<u>2,826,521</u>	<u>8,351,387</u>
<b>Operating expenses</b>			
Administration	2,126,780	311,151	2,437,931
Asset management fees	87,480	-	87,480
Tenant services	67,317	-	67,317
Utilities	1,594,112	2,152	1,596,264
Ordinary maintenance	1,186,925	1,198	1,188,123
Protective services	123,484	-	123,484
Insurance	150,579	5,358	155,937
General expense	68,513	11,236	79,749
Housing assistance payments	-	2,469,081	2,469,081
Depreciation	863,696	357	864,053
<b>Total operating expenses</b>	<u>6,268,886</u>	<u>2,800,533</u>	<u>9,069,419</u>
<b>Operating income (loss)</b>	<u>(744,020)</u>	<u>25,988</u>	<u>(718,032)</u>
<b>Nonoperating revenues (expenses)</b>			
Special items - internal activities	(22,519)	22,519	-
Interest income	4,026	267	4,293
<b>Nonoperating revenues (expenses)</b>	<u>(18,493)</u>	<u>22,786</u>	<u>4,293</u>
Capital contributions	<u>280,106</u>	<u>-</u>	<u>280,106</u>
<b>Change in Net Position</b>	<u>(482,407)</u>	<u>48,774</u>	<u>(433,633)</u>
<b>Net Position, beginning of year (restated)</b>	<u>19,037,775</u>	<u>216,200</u>	<u>19,253,975</u>
<b>Net Position, end of year</b>	<u>\$ 18,555,368</u>	<u>\$ 264,974</u>	<u>\$ 18,820,342</u>

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

**Housing Authority of the City of Lumberton**  
**Combined Statement of Cash Flows - All Funds**  
**For The Year Ended March 31, 2014**

	<b>Major Funds</b>		
	<b>Low Rent Public Housing Program</b>	<b>Housing Choice Voucher Program</b>	<b>Total Funds</b>
<b>Cash flows from operating activities</b>			
Cash received from tenants	\$ 1,355,210	\$ -	\$ 1,355,210
Cash paid for goods and services	(4,019,777)	(26,057)	(4,045,834)
Cash paid to employees	(1,577,350)	(176,911)	(1,754,261)
Operating grants and subsidies	4,430,962	357,130	4,788,092
<b>Net cash provided (used) by operating activities</b>	<u>189,045</u>	<u>154,162</u>	<u>343,207</u>
<b>Cash flows from capital and related financing activities</b>			
Capital grants	280,106	-	280,106
Acquisition of capital assets	(282,627)	-	(282,627)
Net change in long term debt	87,527	-	87,527
Net change in HUD payback	(32,504)	64,870	32,366
Internal activities	(737)	(21,782)	(22,519)
<b>Net cash provided (used) for capital and related financing activities</b>	<u>51,765</u>	<u>43,088</u>	<u>117,372</u>
<b>Cash flows from investing activities</b>			
Interest on investments	6,267	267	6,534
Decrease in short term investments	(5,643)	(411)	(6,054)
<b>Net cash provided (used) for capital and related financing activities</b>	<u>624</u>	<u>(144)</u>	<u>480</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	241,434	197,106	461,059
<b>Cash and cash equivalents at beginning of year</b>	<u>553,573</u>	<u>177,211</u>	<u>730,784</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 795,007</u></u>	<u><u>\$ 374,317</u></u>	<u><u>\$ 1,169,324</u></u>

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

**Housing Authority of the City of Lumberton**  
**Combined Statement of Cash Flows - All Funds (continued)**  
**For The Year Ended March 31, 2014**

	<u>Major Funds</u>		
	<u>Low Rent Public Housing Program</u>	<u>Housing Choice Voucher Program</u>	<u>Total Funds</u>
<b>Reconciliation of operating loss to net cash used by operating activities</b>			
Operating income (loss)	\$ (744,020)	\$ 25,988	\$ (718,032)
<b>Adjustments to reconcile operating loss to net cash used by operating activities</b>			
Depreciation	863,696	357	864,053
(Increase) decrease in			
Tenant rents receivable	(18,193)	-	(18,193)
Accounts receivable U.S. Dept. of HUD	492,727	-	492,727
Other receivables	(9,693)	(310)	(10,003)
Inventory	36,007	-	36,007
Prepaid expenses	(26,304)	(178)	(26,482)
Internal activities	-	-	-
Increase (decrease) in			
Accounts payable and accrued liabilities	(304,281)	131,143	(173,138)
Customer deposits	3,167	-	3,167
Accrued wages	(33,097)	(2,838)	(35,935)
Unearned revenues	(70,964)	-	(70,964)
<b>Total</b>	<u>933,065</u>	<u>128,174</u>	<u>1,061,239</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 189,045</u>	<u>\$ 154,162</u>	<u>\$ 343,207</u>

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

## **Notes to the Financial Statements**

**Housing Authority of the City of Lumberton  
Notes to the Financial Statements  
For the Fiscal Year Ended March 31, 2014**

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Housing Authority of the City of Lumberton conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Housing Authority of the City of Lumberton is a public body and a body corporate and politic created under the authority of Chapter 157 of the General Statutes of North Carolina. The Authority was established in 1949 for the purpose of providing safe, sanitary, and affordable housing for the low-income citizens of the City of Lumberton.

The Authority is reported as a related organization in the notes to the City of Lumberton’s financial statements because the governing board’s seven-member Board of Commissioners of the Authority are appointed by the mayor of the City of Lumberton and the City of Lumberton has the ability to remove the appointed board members for cause. However, the Authority is not a component unit of the financial reporting entity of the City of Lumberton since it designates its own management, approves its own budget, and maintains its own accounting system. In addition, the City provides no financial support to the Authority and is not obligated for the Authority’s debts or entitled to any surpluses of the Authority. The City is not financially accountable for the Authority since it cannot impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the City of Lumberton.

**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.

The Housing Authority of the City of Lumberton has 1,323 units in management.

<u>Management</u>	<u>Units</u>
Owned Housing	727
HAPS Program	596
<b>Total</b>	<u><u>1,323</u></u>

**C. Basis of Presentation – Fund Accounting**

The accounts of the Housing Authority of the City of Lumberton 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

The Authority accounts for its operations as enterprise funds. 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.

**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**C. Basis of Presentation – Fund Accounting (continued)**

The Housing Authority of the City of Lumberton reports the following major funds:

***Low Rent Public Housing Program*** – This program allows low-income tenants to pay monthly rents, which are determined by their need for assistance. HUD 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. This fund is comprised of four separate funds - three Asset Management Programs (AMPs) and an Operating Cost Center (COCC). Rental units within the Low Rent Public Housing Program are divided among the three AMPs. Administrative activities (such as executive management, accounting, payroll functions, etc.) are housed in the COCC. Additionally, the Authority received \$13,189 in funds from a state grant to provide an educational training program for the Authority's resident children. The activity associated with this grant is included in this program as well.

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

The Authority has established a Capital Fund Program that accounts for the modernization and improvement of existing housing units owned by the Authority. The current year activity is consolidated into the Low Rent Public Housing Program.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are 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. Net position is the result of deducting all the liabilities and deferred inflows of resources from all the assets and deferred outflows of resources. Total net position is segregated into three components: 1) net investment in capital assets, 2) restricted assets, and 3) unrestricted assets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

All funds of the Authority are maintained on the modified accrual basis during the year; however, the financial statements for the Authority have been reported 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.

**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**E. Budgetary Data**

The Authority maintains budgetary controls over all funds, 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 all enterprise funds, except the Low Rent Housing Modernization Project Fund, which is a capital project fund. A multi-year budget is adopted for that fund. Expenditures may not legally exceed appropriations at the departmental level for the enterprise funds or at the object level for the capital project sub-fund. The management of the Authority may transfer appropriations within a fund up to \$1,000 without Board approval, except that 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 budget presented in these statements is the budget ordinance as amended through March 31, 2014.

**F. Assets, Liabilities, Deferred Inflows, 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.

State law [G.S. 159-30(c)] and Section 401(e) of the federal annual contribution contract authorizes the Authority to invest excess funds in instruments issued by or guaranteed by the federal government. The Authority practices this policy for all invested funds, regardless of source. Investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. Money market investments that have a maturity at the time of purchase of one year or less are carried at amortized cost.

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 certificates of deposit with an original maturity of three months or less are considered cash and cash equivalents for the Statement of Cash Flows.

*Inter-Program Receivables and Payables*

Inter-program receivables/payables are all classified as either current assets or current liabilities. They are the result of the Public Housing Authority being used as a common paymaster for shared costs of the Authority. Cash settlements are made monthly, and all inter-program balances are reconciled. Any amounts for these inter-program receivables and payables are only shown in the "Internal Activities" row on the Statement of Net Position in each fund column. These amounts offset each other and do not appear in the total column for the Authority.



**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

*Due from the United States Department of Housing and Urban Development*

The amount due from HUD as of March 31, 2014 consisted of capital project fund payments earned as of March 31, 2014 but not received as of that date.

*Inventories*

Inventories consist of supplies and are recorded at cost, cost being determined on the first-in, first-out basis. Inventory is accounted for at the cost center level (COCC) and charged to the AMPS as used.

*Prepaid Items*

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

*Capital Assets*

Capital assets are recorded at historical cost at the date of acquisition. Donated capital assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures, and equipment. Minimum capitalization costs are as follows: land \$10,000, buildings, improvements, furniture and equipment \$5,000, and vehicles \$10,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated on a straight-line basis over the following estimated useful life in years:

Buildings & Improvements	20 - 40 years
Furniture, fixtures and equipment	5 years
Vehicles	5 years

*Unearned Revenue*

Unearned revenue consists of prepaid rent as of March 31, 2014.

*Accrued Vacation Pay*

The Housing Authority of the City of Lumberton allows its full time employees to accumulate up to forty-five days earned vacation leave, with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. Any unused vacation days in excess of forty-five days at December 31<sup>st</sup> of any year will be forfeited. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the financial statements.

Employees can accumulate an unlimited amount of sick leave. Sick leave does not vest but the unused sick leave accumulated at the time of retirement may be used in the determination of the length of service for retirement benefits purposes. Since the Authority has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

*Deferred inflows of resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. In the current year, the Authority does not have any items meeting this criterion.

*Operating Revenues*

Subsidies received from the Department of Housing and Urban Development or other grantor agencies for operating purposes, are recorded as operating revenues. Those that are received for capital purposes are recorded as a capital contribution.

*Net Position*

Net position is classified into three parts; net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed (as by creditors, grantors, contributors, or laws or regulations of other governments) or imposed by the law.

**Note 2 - Stewardship, Compliance, and Accountability**

**Noncompliance with North Carolina Statutes**

The Authority reported unfavorable budget variances in the Low Rent Public Housing Program and the Housing Choice Voucher Program due to noncompliance with fiscal and budgetary requirements of NC General Statutes. The Authority's longtime Executive Director and Finance Director left in February and March 2013, respectively. As a result of these personnel changes, the Authority hired an Interim Executive Director. At year end, no permanent Finance Director has been found. Subsequent to year end, a permanent Finance Director has been hired full time.

**Note 3 – Detailed Notes on All Funds**

**A. Assets**

*Cash and cash equivalents*

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. At March 31, 2014, the Authority's deposits had a carrying amount of \$2,675,378 and a bank balance of \$2,524,040 . Of the bank balance, \$432,088 was covered by federal depository insurance and \$2,091,952 was covered by collateral held under the dedicated method. The Authority has \$150 cash on hand at March 31, 2014.

**Housing Authority of the City of Lumberton  
Notes to the Financial Statements (continued)  
For the Fiscal Year Ended March 31, 2014**

**Note 3 – Detailed Notes on All Funds (continued)**

**A. Assets (continued)**

*Investments*

Interest rate risk – Interest rate risk is the risk that changes in interest rates will reduce the fair value of the investment. The Authority manages interest rate risk by holding investments with maturities of less than one year. In the current year, all cash and short term investments are held in checking accounts and money market savings accounts.

*Due from U.S. Department of HUD*

The following amounts were due from HUD at March 31, 2014:

	<u>COCC</u>
Capital project grant expenses incurred but not paid at year-end	<u>\$ 53,394</u>
<b>Total due from HUD</b>	<u><u>\$ 53,394</u></u>

*Accounts Receivable – Other*

Accounts receivable, other, represents amounts due from tenants, net of allowances for uncollectible accounts, and other miscellaneous receivables.

*Inventory*

Inventory consists of supplies and is valued at cost, net of an allowance for obsolete inventory.

**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 3 – Detailed Notes on All Funds (continued)**

**A. Assets (continued)**

*Capital Assets*

Capital asset activity for the year ended March 31, 2014, was as follows:

**Low Rent Public Housing Program**  
**NC014000001**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 232,381	\$ -	\$ -	\$ 232,381
Construction in progress	506,267	57,962	(51,448)	512,781
<b>Total capital assets not being depreciated</b>	<u>738,648</u>	<u>57,962</u>	<u>(51,448)</u>	<u>745,162</u>
Capital assets being depreciated				
Buildings	12,096,599	18,710	-	12,115,309
Leasehold improvements	1,481,625	-	-	1,481,625
Equipment and furniture	514,067	33,700	-	547,767
<b>Total capital assets being depreciated</b>	<u>14,092,291</u>	<u>52,410</u>	<u>-</u>	<u>14,144,701</u>
Less accumulated depreciation				
Buildings	(6,983,312)	(264,563)	-	(7,247,875)
Other improvements	(1,119,220)	(14,245)	-	(1,133,465)
Equipment and furniture	(470,905)	(41,797)	-	(512,702)
<b>Total accum depreciation</b>	<u>(8,573,437)</u>	<u>(320,605)</u>	<u>-</u>	<u>(8,894,042)</u>
<b>Total capital assets being depreciated, net</b>	<u>5,518,854</u>	<u>(268,195)</u>	<u>-</u>	<u>5,250,659</u>
<b>Capital assets, net</b>	<u>\$ 6,257,502</u>	<u>\$ (210,233)</u>	<u>\$ (51,448)</u>	<u>\$ 5,995,821</u>

**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 3 – Detailed Notes on All Funds (continued)**

**A. Assets (continued)**

*Capital Assets (continued)*

**Low Rent Public Housing Program**  
**NC014000002**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 116,391	\$ -	\$ -	\$ 116,391
Construction in progress	<u>636,374</u>	<u>106,727</u>	<u>(44,430)</u>	<u>698,671</u>
<b>Total capital assets not being depreciated</b>	<u>752,765</u>	<u>106,727</u>	<u>(44,430)</u>	<u>815,062</u>
Capital assets being depreciated				
Buildings	9,282,809	-	-	9,282,809
Leasehold improvements	917,866	-	-	917,866
Equipment and furniture	<u>135,773</u>	<u>39,231</u>	<u>-</u>	<u>175,004</u>
<b>Total capital assets being depreciated</b>	<u>10,336,448</u>	<u>39,231</u>	<u>-</u>	<u>10,375,679</u>
Less accumulated depreciation				
Buildings	(5,460,103)	(223,767)	-	(5,683,870)
Other improvements	(826,800)	(6,073)	-	(832,873)
Equipment and furniture	<u>(99,857)</u>	<u>(45,210)</u>	<u>-</u>	<u>(145,067)</u>
<b>Total accum depreciation</b>	<u>(6,386,760)</u>	<u>(275,050)</u>	<u>-</u>	<u>(6,661,810)</u>
<b>Total capital assets being depreciated, net</b>	<u>3,949,688</u>	<u>(235,819)</u>	<u>-</u>	<u>3,713,869</u>
<b>Capital assets, net</b>	<u><u>\$ 4,702,453</u></u>	<u><u>\$ (129,092)</u></u>	<u><u>\$ (44,430)</u></u>	<u><u>\$ 4,528,931</u></u>

**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 3 – Detailed Notes on All Funds (continued)**

**A. Assets (continued)**

*Capital Assets (continued)*

**Low Rent Public Housing Program**  
**NC014000003**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 29,767	\$ -	\$ (11,000)	\$ 18,767
Construction in progress	1,152,729	115,387	(914,446)	353,670
<b>Total capital assets not being depreciated</b>	<u>1,182,496</u>	<u>115,387</u>	<u>(925,446)</u>	<u>372,437</u>
Capital assets being depreciated				
Buildings	9,697,681	892,852	-	10,590,533
Leasehold improvements	1,752,474	-	-	1,752,474
Equipment and furniture	139,534	28,381	-	167,915
<b>Total capital assets being depreciated</b>	<u>11,589,689</u>	<u>921,233</u>	<u>-</u>	<u>12,510,922</u>
Less accumulated depreciation				
Buildings	(5,640,002)	(209,153)	-	(5,849,155)
Other improvements	(923,114)	(22,814)	-	(945,928)
Equipment and furniture	(114,572)	(30,706)	-	(145,278)
<b>Total accum depreciation</b>	<u>(6,677,688)</u>	<u>(262,673)</u>	<u>-</u>	<u>(6,940,361)</u>
<b>Total capital assets being depreciated, net</b>	<u>4,912,001</u>	<u>658,560</u>	<u>-</u>	<u>5,570,561</u>
<b>Capital assets, net</b>	<u>\$ 6,094,497</u>	<u>\$ 773,947</u>	<u>\$ (925,446)</u>	<u>\$ 5,942,998</u>

**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 3 – Detailed Notes on All Funds (continued)**

**A. Assets (continued)**

*Capital Assets (continued)*

**Low Rent Public Housing Program**  
**Central Office Cost Center**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ -	\$ 11,000	\$ -	\$ 11,000
Construction in progress	-	-	-	-
<b>Total capital assets not being depreciated</b>	<u>-</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>
Capital assets being depreciated				
Buildings	-	-	-	-
Leasehold improvements	-	-	-	-
Equipment and furniture	\$ 151,945	\$ -	\$ -	\$ 151,945
<b>Total capital assets being depreciated</b>	<u>151,945</u>	<u>-</u>	<u>-</u>	<u>151,945</u>
Less accumulated depreciation				
Buildings	-	-	-	-
Other improvements	-	-	-	-
Equipment and furniture	(144,616)	(5,860)	-	(150,476)
<b>Total accum depreciation</b>	<u>(144,616)</u>	<u>(5,860)</u>	<u>-</u>	<u>(150,476)</u>
<b>Total capital assets being depreciated, net</b>	<u>7,329</u>	<u>(5,860)</u>	<u>-</u>	<u>1,469</u>
<b>Capital assets, net</b>	<u>\$ 7,329</u>	<u>\$ 5,140</u>	<u>\$ -</u>	<u>\$ 12,469</u>

**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 3 – Detailed Notes on All Funds (continued)**

**A. Assets (continued)**

*Capital Assets (continued)*

**Low Rent Public Housing Program**

**Total capital assets**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 378,539	\$ 11,000	\$ (11,000)	\$ 378,539
Construction in progress	2,295,370	280,076	(1,010,324)	1,565,122
<b>Total capital assets not being depreciated</b>	<u>2,673,909</u>	<u>291,076</u>	<u>(1,021,324)</u>	<u>1,943,661</u>
Capital assets being depreciated				
Buildings	31,077,089	911,562	-	31,988,651
Leasehold improvements	4,151,965	-	-	4,151,965
Equipment and furniture	941,319	101,312	-	1,042,631
<b>Total capital assets being depreciated</b>	<u>36,170,373</u>	<u>1,012,874</u>	<u>-</u>	<u>37,183,247</u>
Less accumulated depreciation				
Buildings	(18,083,417)	(697,483)	-	(18,780,900)
Other improvements	(2,869,134)	(43,132)	-	(2,912,266)
Equipment and furniture	(829,950)	(123,573)	-	(953,523)
<b>Total accum depreciation</b>	<u>(21,782,501)</u>	<u>(864,188)</u>	<u>-</u>	<u>(22,646,689)</u>
<b>Total capital assets being depreciated, net</b>	<u>14,387,872</u>	<u>148,686</u>	<u>-</u>	<u>14,536,558</u>
<b>Capital assets, net</b>	<u>\$17,061,781</u>	<u>\$ 439,762</u>	<u>\$ (1,021,324)</u>	<u>\$ 16,480,219</u>



**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 3 – Detailed Notes on All Funds (continued)**

**A. Assets (continued)**

*Capital Assets (continued)*

**Housing Choice Voucher Program**

**Total capital assets**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated				
Equipment and furniture	\$ 25,777	\$ -	\$ -	\$ 25,777
<b>Total capital assets being depreciated</b>	<u>25,777</u>	<u>-</u>	<u>-</u>	<u>25,777</u>
Less accumulated depreciation				
Equipment and furniture	(24,317)	(357)	-	(24,674)
<b>Total accum depreciation</b>	<u>(24,317)</u>	<u>(357)</u>	<u>-</u>	<u>(24,674)</u>
<b>Total capital assets being depreciated, net</b>	<u>1,460</u>	<u>(357)</u>	<u>-</u>	<u>1,103</u>
<b>Capital assets, net</b>	<u>\$ 1,460</u>	<u>\$ (357)</u>	<u>\$ -</u>	<u>\$ 1,103</u>

**All Funds**

**Total capital assets**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 378,539	\$ 11,000	\$ (11,000)	\$ 378,539
Construction in progress	2,295,370	280,076	(1,010,324)	1,565,122
<b>Total capital assets not being depreciated</b>	<u>2,673,909</u>	<u>291,076</u>	<u>(1,021,324)</u>	<u>1,943,661</u>
Capital assets being depreciated				
Buildings	31,077,089	911,562	-	31,988,651
Leasehold improvements	4,151,965	-	-	4,151,965
Equipment and furniture	967,096	101,312	-	1,068,408
<b>Total capital assets being depreciated</b>	<u>36,196,150</u>	<u>1,012,874</u>	<u>-</u>	<u>37,209,024</u>
Less accumulated depreciation				
Buildings	(18,083,417)	(697,483)	-	(18,780,900)
Other improvements	(2,869,134)	(43,132)	-	(2,912,266)
Equipment and furniture	(854,267)	(123,930)	-	(978,197)
<b>Total accum depreciation</b>	<u>(21,806,818)</u>	<u>(864,545)</u>	<u>-</u>	<u>(22,671,363)</u>
<b>Total capital assets being depreciated, net</b>	<u>14,389,332</u>	<u>148,329</u>	<u>-</u>	<u>14,537,661</u>
<b>Capital assets, net</b>	<u>\$17,063,241</u>	<u>\$ 439,405</u>	<u>\$ (1,021,324)</u>	<u>\$ 16,481,322</u>

**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 3 – Detailed Notes on All Funds (continued)**

**B. Liabilities**

*Employee Retirement Plan*

The Authority provides pension benefits for its employees through a defined contribution plan. The plan is available to all full-time employees with six months of continuous service. Employee contributions are 100% vested immediately. Contributions made by the Authority fully vest after 5 years of full-time employment. Per provisions of the plan, an employee must contribute 5% of his/her base annual salary to the plan. The Authority must contribute an amount equal to 10% of the employees' base annual salary.

*Short Term Debt and Internal Activities*

The Authority was subject to an on-site management review by HUD during March, 2012, results of which were presented in early 2013. The results of the report indicated that there were “systemic programmatic shortcomings within the administration” of the Authority. One of the findings indicated that the COCC should repay \$321,630 (\$309,420 to the AMPs and \$12,210 to HUD).

In early 2013, HUD conducted another on-site management review. In September, 2014, it was determined that the COCC should repay \$131,787 (\$76,764 to the AMPs, \$22,519 to Housing Choice Voucher Program, and \$32,504 to HUD) in relation to one of the findings.

During 2014, the Authority received additional funding from HUD to offset potential shortfalls in revenue in the Housing Choice Voucher Program. Unexpended funds, totaling \$64,870 at March 31, 2014, are payable back to HUD.

*Internal Activities*

The Central Office Cost Center owes \$355,222 to the Low Rent Public Housing Program. These amounts are shown as internal activities on the Combining Schedule of Net Position.

LRPH - NC014-000001, originally \$112,891, payable in 10 annual installments beginning March 31, 2014, interest at 0%.	\$ 104,887
LRPH - NC014-000002, originally \$103,577, payable in 10 annual installments beginning March 31, 2014, interest at 0%.	103,577
LRPH - NC014-000003, originally \$146,778, payable in 10 annual installments beginning March 31, 2014, interest at 0%.	<u>146,778</u>
Total note payable	355,242
Less – internal account balances	<u>( 350,776)</u>
Total, internal activities	<u>\$ 4,466</u>

**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 3 – Detailed Notes on All Funds (continued)**

**B. Liabilities (continued)**

*Short Term Debt and Internal Activities (continued)*

*Internal Activities (continued)*

The Central Office Cost Center owes the following amount to the Housing Choice Voucher Program. These amounts are shown as internal activities on the Statement of Net Position – All Funds.

Housing Choice Voucher Program, originally \$22,519, payable in 10 annual installments beginning March 31, 2015, interest at 0%.	\$ 22,519
Less – internal account balances	( <u>26,985</u> )
Total	( <u>\$ 4,466</u> )

*Short Term Debt*

The Central Office Cost Center owes \$44,714 to HUD as a result of two management reviews. These amounts are shown on the Statement of New Position – All Funds. All amounts are short term due within 12 months of year end and are shown under the caption “Note Payable to HUD”.

As a result of the 2012 HUD management review, the Authority has entered into an agreement on December 16, 2013, to pay back \$12,210 beginning March 31, 2015, interest at 0%.	\$ 12,210
As a result of the 2013 HUD management review, the Authority has entered into an agreement on December 16, 2013, to pay back \$32,504 beginning March 31, 2015, interest at 0%.	<u>32,504</u>
Total	44,714

The Central Office Cost Center owes \$64,870 to HUD as a result of unexpended shortfall monies received in the Housing Choice Voucher Program. This amount is shown on the <i>Statement of Net Position – All Funds</i> as “Note Payable to HUD” and is due during the year ending March 31, 2015.	<u>64,870</u>
Total short term debt	<u>\$ 109,584</u>

**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 3 – Detailed Notes on All Funds (continued)**

**B. Liabilities (continued)**

*Short Term Debt and Internal Activities (continued)*

Annual debt service payments as of March 31, 2014, are as follows:

Year Ending March 31	COCC Internal Activities	HCV Internal Activities	Note Payable HUD	Total
2015	\$ 35,524	\$ 2,252	\$ 109,584	\$ 147,360
2016	35,524	2,252	-	37,776
2017	35,524	2,252	-	37,776
2018	35,524	2,252	-	37,776
2019	35,524	2,252	-	37,776
2020-2024	177,622	11,259	-	188,881
	\$ 355,242	\$ 22,519	\$ 109,584	\$ 487,345

Changes in long term liabilities as of March 31, 2014, are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
2012 HUD Management Review	\$ 321,630	\$ -	\$ 30,942	\$ 290,688
2013 HUD Management Review	144,000		12,213	131,787
2014 HCV Set-Aside Funding	-	64,870	-	64,870
Accrued vacation	154,371	-	34,149	120,222
Total	\$ 620,001	\$ 64,870	\$ 77,304	\$ 607,567

**C. Related Party Transactions**

The City of Lumberton is a related organization. The mayor of the City appoints the board of the Authority. Although the City is accountable for the Authority because it appoints the board; the City is not financially accountable for the Authority. The Authority is shown as a related organization in the City of Lumberton's financial statements.

*Interfund Balances and Activity*

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are discussed in further detail in Note 3, B – Liabilities, Short Term Debt and Internal Activities.

**Housing Authority of the City of Lumberton**  
**Notes to the Financial Statements (continued)**  
**For the Fiscal Year Ended March 31, 2014**

**Note 3 – Detailed Notes on All Funds (continued)**

**D. Risk Management**

The Authority carries commercial insurance against all other risks of loss, including property and general liability insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

In accordance with G.S. 159-42, the Authority’s finance officer is individually bonded for \$50,000. The Authority also has a blanket bond for remaining employees in the amount of \$300,000.

**E. Summary Disclosure of Significant Contingencies**

In 2013, the HUD Office of the Inspector General (OIG) conducted a review of the entity’s federal awards programs. Based on the results of that review, the Authority must have an audit of federal grants of Low Rent Housing Program activity dating back to March 2008. The financial impact of that audit is unknown at this time. As a result, no provisions have been made in the accompanying financial statements as of March 31, 2014.

**F. Change in Accounting Principles/Restatement**

The Authority implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending March 31, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position.

Beginning net position in the Combined Statement of Revenues, Expenses, and Changes in Net Position – All Funds has been restated to correct for an error in recording the payback due under the repayment agreement entered into in relation to the 2012 on-site management review by HUD. In previously issued financial statements, the Authority recorded the repayment amount as a note payable from the Central Office Cost Center (COCC) to HUD. The repayment amount should have been recorded as a note payable from the COCC to the AMPS. In the Combined Statements, this note would be eliminated through internal activities in the Low Rent Public Housing Program. The effect of the restatement is to increase beginning net position in the Low Rent Public Housing Program by \$453,420. The restatement is detailed as follows:

	Low Rent Housing Program	Housing Voucher Program	Total Funds
Net Position, March 31, 2013 as previously stated	\$18,584,355	\$ 216,200	\$ 18,800,555
Restatement for the note payable from COCC to AMPS	<u>453,420</u>	<u>-</u>	<u>453,420</u>
Net Position, March 31, 2013 as restated	<u><u>\$19,037,775</u></u>	<u><u>\$ 216,200</u></u>	<u><u>\$ 19,253,975</u></u>

## **Supplemental Information**

**Housing Authority of the City of Lumberton**  
**Combining Schedule of Net Position**  
**Low Rent Public Housing Program**  
**March 31, 2014**

	<b>Low Rent Public Housing Program</b>			<b>Central Office</b>	<b>Total Low Rent Public Housing Program</b>
	<b>NC014-000001</b>	<b>NC014-000002</b>	<b>NC014-000003</b>	<b>Cost Center</b>	
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 332,655	\$ 157,600	\$ 138,464	\$ 166,288	\$ 795,007
Short-term investments	532,189	324,623	266,083	280,054	1,402,949
Accounts receivable-HUD	-	-	-	53,394	53,394
Accounts receivable-Other	14,837	9,974	23,016	4,853	52,680
Supplies inventories	-	-	-	79,775	79,775
Internal activities	104,887	103,577	146,778	(350,776)	4,466
Prepaid items	51,844	42,096	42,047	12,857	148,844
<b>Total current assets</b>	<b>1,036,412</b>	<b>637,870</b>	<b>616,388</b>	<b>246,445</b>	<b>2,537,115</b>
<b>Non-current assets, capital assets</b>					
Land, construction in progress, non-depreciable improvements	745,162	815,062	372,437	11,000	1,943,661
Buildings and improvements	12,115,309	9,282,809	10,590,533	-	31,988,651
Leasehold improvements	1,481,625	917,866	1,752,474	-	4,151,965
Furniture and equipment	547,767	175,004	167,915	151,945	1,042,631
Less accum depreciation	(8,894,042)	(6,661,810)	(6,940,361)	(150,476)	(22,646,689)
<b>Total capital assets</b>	<b>5,995,821</b>	<b>4,528,931</b>	<b>5,942,998</b>	<b>12,469</b>	<b>16,480,219</b>
<b>Total assets</b>	<b>\$7,032,233</b>	<b>\$ 5,166,801</b>	<b>\$ 6,559,386</b>	<b>\$ 258,914</b>	<b>\$19,017,334</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Note payable to HUD	\$ -	\$ -	\$ -	\$ 44,714	\$ 44,714
Accounts payable	55,709	44,366	54,400	8,435	162,910
Accrued expenses	11,821	5,121	5,466	9,001	31,409
Unearned revenue	3,210	2,477	1,797	-	7,484
Customer deposits	48,219	31,004	31,205	-	110,428
Accrued vacation	23,233	26,207	24,573	21,838	95,851
<b>Total current liabilities</b>	<b>142,192</b>	<b>109,175</b>	<b>117,441</b>	<b>83,988</b>	<b>452,796</b>
<b>Noncurrent liabilities</b>					
Accrued vacation pay	3,614	2,005	1,880	1,671	9,170
<b>Total noncurrent liabilities</b>	<b>3,614</b>	<b>2,005</b>	<b>1,880</b>	<b>1,671</b>	<b>9,170</b>
<b>Total liabilities</b>	<b>145,806</b>	<b>111,180</b>	<b>119,321</b>	<b>85,659</b>	<b>461,966</b>
<b>Net position</b>					
Net investment in capital asset	5,995,821	4,528,931	5,942,998	12,469	16,480,219
Unrestricted	890,606	526,690	497,067	160,786	2,075,149
<b>Total net position</b>	<b>\$6,886,427</b>	<b>\$ 5,055,621</b>	<b>\$ 6,440,065</b>	<b>\$ 173,255</b>	<b>\$18,555,368</b>

**Housing Authority of the City of Lumberton**  
**Combining Schedule of Revenues, Expenses and Changes in Net Position**  
**Low Rent Public Housing Program**  
**For The Year Ended March 31, 2014**

	<b>Low Rent Public Housing Program</b>			<b>Central</b>	<b>Total</b>
	<b>NC014-</b>	<b>NC014-</b>	<b>NC014-</b>	<b>Office</b>	<b>Low Rent</b>
	<b>000001</b>	<b>000002</b>	<b>000003</b>	<b>Cost Center</b>	<b>Public</b>
					<b>Housing</b>
					<b>Program</b>
<b>Operating revenues</b>					
Dwelling rental	\$ 600,813	\$ 267,451	\$ 375,033	\$ -	\$ 1,243,297
Excess utilities	61,361	59,389	80,706	-	201,456
Operating subsidy-HUD	935,872	757,935	842,787	-	2,536,594
Capital fund grants	172,460	232,567	158,953	-	563,980
Other revenues	17,656	162,289	12,318	787,276	979,539
<b>Total operating revenues:</b>	<b>1,788,162</b>	<b>1,479,631</b>	<b>1,469,797</b>	<b>787,276</b>	<b>5,524,866</b>
<b>Operating expenses</b>					
Administration	569,360	570,693	472,200	514,527	2,126,780
Asset management fees	33,840	26,880	26,760	-	87,480
Tenant services	22,774	16,336	16,000	12,207	67,317
Utilities	607,689	449,698	528,373	8,352	1,594,112
Ordinary maintenance	411,163	383,174	379,753	12,835	1,186,925
Protective services	46,986	36,383	37,676	2,439	123,484
Insurance	60,597	45,957	34,793	9,232	150,579
General expense	39,057	19,094	7,883	2,479	68,513
Depreciation	320,605	275,050	262,674	5,367	863,696
<b>Total operating expense:</b>	<b>2,112,071</b>	<b>1,823,265</b>	<b>1,766,112</b>	<b>567,438</b>	<b>6,268,886</b>
<b>Operating income (loss)</b>	<b>(323,909)</b>	<b>(343,634)</b>	<b>(296,315)</b>	<b>219,838</b>	<b>(744,020)</b>
<b>Nonoperating revenues (expenses)</b>					
Special items-internal activities	(12,041)	(10,776)	(11,915)	12,213	(22,519)
Interest income	1,304	782	640	1,300	4,026
<b>Nonoperating revenues</b>					<b>-</b>
<b>(expenses)</b>	<b>(10,737)</b>	<b>(9,994)</b>	<b>(11,275)</b>	<b>13,513</b>	<b>(18,493)</b>
Capital contributions	57,962	106,727	115,417	-	280,106
<b>Change in Net Position</b>	<b>(276,684)</b>	<b>(246,901)</b>	<b>(192,173)</b>	<b>233,351</b>	<b>(482,407)</b>
<b>Net Position</b>					
<b>Beginning of year (restated)</b>	<b>7,163,111</b>	<b>5,302,522</b>	<b>6,632,238</b>	<b>(60,096)</b>	<b>19,037,775</b>
<b>End of year</b>	<b>\$6,886,427</b>	<b>\$5,055,621</b>	<b>\$6,440,065</b>	<b>\$ 173,255</b>	<b>\$18,555,368</b>



**Housing Authority of the City of Lumberton**  
**Combining Schedule of Cash Flows**  
**Low Rent Public Housing Program**  
**For The Year Ended March 31, 2014**

	<b>Low Rent Public Housing Program</b>			<b>Central Office</b>	<b>Total Low Rent Public Housing Program</b>
	<b>NC014-000001</b>	<b>NC014-000002</b>	<b>NC014-000003</b>	<b>Cost Center</b>	
<b>Cash flows from operating activities</b>					
Cash received from tenants	\$ 628,353	\$ 320,058	\$ 406,799	\$ -	\$1,355,210
Cash paid for goods and services	(1,396,592)	(1,199,343)	(1,278,216)	(145,626)	(4,019,777)
Cash paid to employees	(384,314)	(355,186)	(390,604)	(447,246)	(1,577,350)
Operating grants and subsidies	1,230,368	1,241,121	1,226,085	733,388	4,430,962
<b>Net cash provided (used) by operating activities</b>	<b>77,815</b>	<b>6,650</b>	<b>(35,936)</b>	<b>140,516</b>	<b>189,045</b>
<b>Cash flows from capital and related financing activities</b>					
Capital grants	57,962	106,727	115,417	-	280,106
Acquisition of capital assets	(58,925)	(101,528)	(111,174)	(11,000)	(282,627)
Net change in long term debt	31,313	29,888	36,977	(10,651)	87,527
HUD debt	-	-	-	(32,504)	(32,504)
Internal activities	(12,041)	(10,776)	(22,915)	44,995	(737)
<b>Net cash provided (used) for capital and related financing activities</b>	<b>18,309</b>	<b>24,311</b>	<b>18,305</b>	<b>(9,160)</b>	<b>51,765</b>
<b>Cash flows from investing activities</b>					
Interest on investments	2,154	1,301	1,065	1,747	6,267
Net change investments	(2,154)	(1,301)	(1,065)	(1,123)	(5,643)
<b>Net cash provided (used) for investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>624</b>	<b>624</b>
<b>Net increase in cash and cash equivalents</b>	<b>96,124</b>	<b>30,961</b>	<b>(17,631)</b>	<b>131,980</b>	<b>241,434</b>
<b>Cash and cash equivalents Beginning of year</b>	<b>236,531</b>	<b>126,639</b>	<b>156,095</b>	<b>34,308</b>	<b>553,573</b>
<b>End of year</b>	<b>\$ 332,655</b>	<b>\$ 157,600</b>	<b>\$ 138,464</b>	<b>\$ 166,288</b>	<b>\$ 795,007</b>

**Housing Authority of the City of Lumberton**  
**Combining Schedule of Cash Flows (continued)**  
**Low Rent Public Housing Program**  
**For The Year Ended March 31, 2014**

	<b>Low Rent Public Housing Program</b>			<b>Central</b>	<b>Total</b>
	<b>NC014- 000001</b>	<b>NC014- 000002</b>	<b>NC014- 000003</b>	<b>Office Cost Center</b>	<b>Low Rent Public Housing Program</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	<u>\$(323,909)</u>	<u>\$(343,634)</u>	<u>\$(296,315)</u>	<u>\$ 219,838</u>	<u>\$(744,020)</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>					
Depreciation	320,605	275,050	262,674	5,367	863,696
(Increase) decrease in					
Tenant rents receivable	(7,424)	873	(11,642)	-	(18,193)
Accounts receivable HUD	120,246	195,565	230,310	(53,394)	492,727
Other receivables	(3,548)	(3,224)	(5,480)	2,559	(9,693)
Inventory	-	-	-	36,007	36,007
Prepaid insurance	(1,357)	(4,944)	(15,391)	(4,612)	(26,304)
Internal activities					
Increase (decrease) in					
Accounts payable and accrued liabilities	(8,316)	(108,162)	(150,374)	(37,429)	(304,281)
Customer deposits	2,747	38	382	-	3,167
Accrued vacation pay	4,363	2,781	(12,421)	(27,820)	(33,097)
Unearned revenues	<u>(25,592)</u>	<u>(7,693)</u>	<u>(37,679)</u>	<u>-</u>	<u>(70,964)</u>
Total	<u>401,724</u>	<u>350,284</u>	<u>260,379</u>	<u>(79,322)</u>	<u>933,065</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 77,815</u>	<u>\$ 6,650</u>	<u>\$ (35,936)</u>	<u>\$ 140,516</u>	<u>\$ 189,045</u>

**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)**  
**Low Rent Public Housing Program - NC014000001**  
**For The Year Ended March 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>Operating revenues</b>			
Dwelling rental		\$ 600,813	
Excess utilities		61,361	
Operating subsidy - HUD		935,872	
Capital fund grants		172,460	
Other revenues		17,656	
<b>Total operating revenues</b>	<u>1,852,401</u>	<u>1,788,162</u>	<u>(64,239)</u>
<b>Operating expenditures</b>			
<b>Administration</b>			
Property management fees		281,733	
Bookkeeping fees		24,683	
Salaries and employee benefits		169,950	
Professional fees		4,900	
Travel		2,292	
Office expense		33,027	
Other administrative expenses		48,412	
<b>Total administration</b>	<u>579,891</u>	<u>564,997</u>	<u>14,894</u>
<b>Asset management fees</b>	<u>33,840</u>	<u>33,840</u>	<u>-</u>
<b>Tenant services</b>			
Salaries and employee benefits		20,681	
Other expenses		2,093	
<b>Total tenant services</b>	<u>30,315</u>	<u>22,774</u>	<u>7,541</u>
<b>Utilities</b>			
Water and sewer		120,600	
Electricity		443,461	
Gas		33,502	
Other utilities		10,126	
<b>Total utilities</b>	<u>535,130</u>	<u>607,689</u>	<u>(72,559)</u>
<b>Ordinary maintenance</b>			
Salaries and employee benefits		195,171	
Materials		85,313	
Contracted service		130,679	
<b>Total ordinary maintenance</b>	<u>431,922</u>	<u>411,163</u>	<u>20,759</u>
<b>Protective services</b>			
Contracted services		46,986	
<b>Total protective services</b>	<u>49,278</u>	<u>46,986</u>	<u>2,292</u>

**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP) (continued)**  
**Low Rent Public Housing Program - NC014000001**  
**For The Year Ended March 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operating expenditures (continued)</b>			
<b>Insurance</b>	\$ 61,498	\$ 60,597	\$ 901
<b>General expense</b>			
Collection losses		6,139	
Non-routine expenses		26,763	
Other general expenses		6,155	
<b>Total general expense</b>	<u>49,975</u>	<u>39,057</u>	<u>10,918</u>
<b>Total operating expenditures</b>	<u>1,771,849</u>	<u>1,787,103</u>	<u>(15,254)</u>
<b>Net operating income (loss)</b>	<u>80,552</u>	<u>1,059</u>	<u>(79,493)</u>
<b>Other revenues (expenditures)</b>			
Capital contributions		57,962	
Internal activities		(12,041)	
Interest income		1,304	
<b>Total other revenues (expenditures)</b>	<u>59,287</u>	<u>47,225</u>	<u>12,062</u>
<b>Revenue over (under) expenditures</b>	\$ 139,839	\$ 48,284	\$ (91,555)
<b>Appropriated fund balance</b>	<u>(139,839)</u>	<u>-</u>	<u>(139,839)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 48,284</u>	<u>\$ 48,284</u>

**Reconciliation of modified accrual basis net income to full accrual basis net income:**

<b>Revenue over (under) expenditures</b>	\$ 48,284
Depreciation expense	(320,605)
(Increase) decrease in accrued annual leave	(4,363)
<b>Change in net position - full accrual basis</b>	<u>\$ (276,684)</u>

**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)**  
**Low Rent Public Housing Program - NC014000002**  
**For The Year Ended March 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operating revenues</b>			
Dwelling rental		\$ 267,451	
Excess utilities		59,389	
Operating subsidy - HUD		757,935	
Capital fund grants		232,567	
Other revenues		162,289	
<b>Total operating revenues</b>	<u>1,554,853</u>	<u>1,479,631</u>	<u>(75,222)</u>
<b>Operating expenditures</b>			
<b>Administration</b>			
Property management fees		321,873	
Bookkeeping fees		19,403	
Salaries and employee benefits		161,257	
Professional fees		3,675	
Travel		4,659	
Office expense		27,091	
Other administrative expenses		29,954	
<b>Total administration</b>	<u>585,713</u>	<u>567,912</u>	<u>17,801</u>
<b>Asset management fees</b>	<u>26,880</u>	<u>26,880</u>	<u>-</u>
<b>Tenant services</b>			
Salaries and employee benefits		13,757	
Other expenses		2,579	
<b>Total tenant services</b>	<u>23,397</u>	<u>16,336</u>	<u>7,061</u>
<b>Utilities</b>			
Water and sewer		87,335	
Electricity		355,808	
Gas		530	
Other utilities		6,025	
<b>Total utilities</b>	<u>403,918</u>	<u>449,698</u>	<u>(45,780)</u>
<b>Ordinary maintenance</b>			
Salaries and employee benefits		183,823	
Materials		69,859	
Contracted service		129,492	
<b>Total ordinary maintenance</b>	<u>396,317</u>	<u>383,174</u>	<u>13,143</u>
<b>Protective services</b>			
Contracted services		36,383	
<b>Total protective services</b>	<u>38,060</u>	<u>36,383</u>	<u>1,677</u>

**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP) (continued)**  
**Low Rent Public Housing Program - NC014000002**  
**For The Year Ended March 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>Operating expenditures (continued)</b>			
<b>Insurance</b>	\$ 45,253	\$ 45,957	\$ (704)
<b>General expense</b>			
Collection losses		12,290	
Non-routine expenses		6,333	
Other general expenses		471	
<b>Total general expense</b>	<u>62,561</u>	<u>19,094</u>	<u>43,467</u>
<b>Total operating expenditures</b>	<u>1,582,099</u>	<u>1,545,434</u>	<u>36,665</u>
Net operating income (loss)	<u>(27,246)</u>	<u>(65,803)</u>	<u>(38,557)</u>
<b>Other revenues (expenditures)</b>			
Capital contributions		106,727	
Internal activities		(10,776)	
Interest income		782	
<b>Total other revenues (expenditures)</b>	<u>808</u>	<u>96,733</u>	<u>(95,925)</u>
<b>Revenue over (under) expenditures</b>	(26,438)	30,930	57,368
<b>Appropriated fund balance</b>	<u>26,438</u>	<u>-</u>	<u>26,438</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 30,930</u>	<u>\$ 30,930</u>
<b>Reconciliation of modified accrual basis net income to full accrual basis net income</b>			
<b>Revenue over (under) expenditures</b>		\$ 30,930	
Depreciation expense		(275,050)	
(Increase) decrease in accrued annual leave		(2,781)	
<b>Change in net position - full accrual basis</b>		<u>\$ (246,901)</u>	

**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)**  
**Low Rent Public Housing Program - NC014000003**  
**For The Year Ended March 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operating revenues</b>			
Dwelling rental		\$ 375,033	
Excess utilities		80,706	
Operating subsidy - HUD		842,787	
Capital fund grants		158,953	
Other revenues		12,318	
<b>Total operating revenues</b>	<u>1,606,570</u>	<u>1,469,797</u>	<u>(136,773)</u>
<b>Operating expenditures</b>			
<b>Administration</b>			
Property management fees		230,054	
Bookkeeping fees		19,643	
Salaries and employee benefits		176,136	
Professional fees		3,850	
Travel		4,408	
Office expense		26,751	
Other administrative expenses		23,779	
<b>Total administration</b>	<u>519,632</u>	<u>484,621</u>	<u>35,011</u>
<b>Asset management fees</b>	<u>26,760</u>	<u>26,760</u>	<u>-</u>
<b>Tenant services</b>			
Salaries and employee benefits		14,066	
Other expenses		1,934	
<b>Total tenant services</b>	<u>23,039</u>	<u>16,000</u>	<u>7,039</u>
<b>Utilities</b>			
Water and sewer		116,259	
Electricity		339,661	
Gas		61,312	
Other utilities		11,141	
<b>Total utilities</b>	<u>488,093</u>	<u>528,373</u>	<u>(40,280)</u>
<b>Ordinary maintenance</b>			
Salaries and employee benefits		200,514	
Materials		58,265	
Contracted service		120,974	
<b>Total ordinary maintenance</b>	<u>377,140</u>	<u>379,753</u>	<u>(2,613)</u>
<b>Protective services</b>			
Contracted services		37,676	
<b>Total protective services</b>	<u>38,596</u>	<u>37,676</u>	<u>920</u>

**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP) (continued)**  
**Low Rent Public Housing Program - NC014000003**  
**For The Year Ended March 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operating expenditures (continued)</b>			
<b>Insurance</b>	<u>47,161</u>	<u>34,793</u>	<u>12,368</u>
<b>General expense</b>			
Collection losses		7,366	
Non-routine expenses		121	
Other general expenses		396	
<b>Total general expense</b>	<u>67,453</u>	<u>7,883</u>	<u>59,570</u>
<b>Total operating expenditures</b>	<u>1,587,874</u>	<u>1,515,859</u>	<u>72,015</u>
<b>Net operating income (loss)</b>	<u>18,696</u>	<u>(46,062)</u>	<u>(64,758)</u>
<b>Other revenues (expenditures)</b>			
Capital contributions		115,417	
Internal activities		(11,915)	
Interest income		640	
<b>Total other revenues (expenditures)</b>	<u>663</u>	<u>104,142</u>	<u>(103,479)</u>
<b>Revenue over (under) expenditures</b>	19,359	58,080	38,721
<b>Appropriated fund balance</b>	<u>(19,359)</u>	<u>-</u>	<u>(19,359)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 58,080</u>	<u>\$ 58,080</u>

Reconciliation of modified accrual basis net income to full accrual basis net income:

<b>Revenue over (under) expenditures</b>	\$ 58,080
Depreciation expense	(262,674)
(Increase) decrease in accrued annual leave	12,421
<b>Change in net position - full accrual basis</b>	<u>\$ (192,173)</u>



**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)**  
**Low Rent Public Housing Program - Central Office Cost Center**  
**For The Year Ended March 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>Operating revenues</b>	\$ 779,380	\$ 787,276	\$ 7,896
<b>Operating expenditures</b>			
<b>Administration</b>			
Salaries and employee benefits		388,998	
Professional fees		11,606	
Travel		8,399	
Office expense		49,482	
Other administrative expenses		83,863	
<b>Total administration</b>	<u>514,335</u>	<u>542,348</u>	<u>(28,013)</u>
<b>Tenant services</b>			
Salaries and employee benefits		12,207	
Contracted services		-	
<b>Total tenant services</b>	<u>12,207</u>	<u>12,207</u>	<u>-</u>
<b>Utilities</b>			
Gas		1,520	
Electricity		6,336	
Water and sewer		269	
Other utilities		227	
<b>Total utilities</b>	<u>6,247</u>	<u>8,352</u>	<u>(2,105)</u>
<b>Ordinary maintenance</b>			
Materials		6,849	
Contracted service		5,986	
<b>Total ordinary maintenance</b>	<u>7,978</u>	<u>12,835</u>	<u>(4,857)</u>
<b>Protective Services</b>			
Contracted services		2,439	
<b>Total protective services</b>	<u>2,800</u>	<u>2,439</u>	<u>361</u>
<b>Insurance</b>	<u>9,901</u>	<u>9,232</u>	<u>669</u>
<b>General expense</b>	<u>58,700</u>	<u>2,479</u>	<u>56,221</u>
<b>Total operating expenditures</b>	<u>612,168</u>	<u>589,892</u>	<u>22,276</u>
<b>Net operating income (loss)</b>	<u>167,212</u>	<u>197,384</u>	<u>30,172</u>

**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP) (continued)**  
**Low Rent Public Housing Program - Central Office Cost Center**  
**For The Year Ended March 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>Net operating income (loss)</b>	\$ 167,212	\$ 197,384	\$ 30,172
<b>Other revenues (expenditures)</b>			
Internal activities		12,213	12,213
Interest income	<u>697</u>	<u>1,300</u>	<u>603</u>
<b>Total other revenues (expenditures)</b>	<u>697</u>	<u>13,513</u>	<u>(12,816)</u>
<b>Revenue over (under) expenditures</b>	<u>167,909</u>	<u>210,897</u>	<u>42,988</u>
<b>Appropriated fund balance</b>	<u>(167,909)</u>	<u>-</u>	<u>(167,909)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 210,897</u>	<u>\$ 210,897</u>

Reconciliation of modified accrual basis net income to full accrual basis net income:

<b>Revenue over (under) expenditures</b>	\$ 210,897
Depreciation expense	(5,367)
Increase in payback to HUD reported as long term debt	
(Increase) decrease in accrued annual leave	<u>27,821</u>
<b>Change in net position - full accrual basis</b>	<u>\$ 233,351</u>

**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)**  
**Housing Choice Voucher Program - Section 8**  
**For The Year Ended March 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>Operating revenues</b>			
Operating subsidy - HUD		2,785,006	
Other revenues		38,808	
<b>Total operating revenues</b>	<u>2,932,110</u>	<u>2,823,814</u>	<u>(108,296)</u>
<b>Operating expenditures</b>			
<b>Administration</b>			
Salaries and employee benefits		175,125	
Bookkeeping fees		49,793	
Office expenses		23,275	
Travel		5,648	
Professional fees		2,844	
Other expenses		55,518	
<b>Total administration</b>	<u>339,244</u>	<u>312,203</u>	<u>27,041</u>
<b>Utilities</b>			
Gas		242	
Electricity		1,762	
Water and sewer		81	
Other utilities		67	
<b>Total utilities</b>	<u>2,875</u>	<u>2,152</u>	<u>723</u>
<b>Ordinary maintenance</b>			
Materials		46	
Contracted services		1,152	
<b>Total ordinary maintenance</b>	<u>1,335</u>	<u>1,198</u>	<u>137</u>
<b>Insurance</b>	<u>6,143</u>	<u>5,358</u>	<u>785</u>
<b>General expense</b>			
Other general expenses		11,236	
<b>Total general expense</b>	<u>17,662</u>	<u>11,236</u>	<u>6,426</u>
<b>Housing assistance payments</b>	<u>2,517,989</u>	<u>2,377,089</u>	<u>140,900</u>
<b>Total operating expenditures</b>	<u>2,885,248</u>	<u>2,709,236</u>	<u>176,012</u>
<b>Net operating income (loss)</b>	<u>46,862</u>	<u>114,578</u>	<u>67,716</u>

**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP) (continued)**  
**Housing Choice Voucher Program - Section 8**  
**For The Year Ended March 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>Net operating income (loss)</b>	\$ 46,862	\$ 114,578	\$ 67,716
<b>Nonoperating revenue (expenditures)</b>			
Internal activities		22,519	22,519
Interest income		267	267
<b>Total nonoperating revenue (exp)</b>	<u>257</u>	<u>22,786</u>	<u>22,786</u>
<b>Revenue over (under) expenditures</b>	<u>\$ 47,119</u>	<u>\$ 137,364</u>	<u>\$ 90,502</u>
<b>Appropriated fund balance</b>	<u>(47,119)</u>	<u>-</u>	<u>(47,119)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 137,364</u>	<u>\$ 43,383</u>

Reconciliation of modified accrual basis net income to full accrual basis net income:

<b>Revenue over (under) expenditures</b>	\$ 137,364
Depreciation	(357)
Payback to HUD	(91,992)
(Increase) decrease in accrued annual leave	<u>1,052</u>
<b>Change in net position - full accrual basis</b>	<u>\$ 46,067</u>

**Housing Authority of the City of Lumberton**  
**Schedule of Capitalized Expenditures and Administrative and Contract Costs**  
**Capital Fund Program**  
**For The Year Ended March 31, 2014**

All capitalized expenditures and administrative and contract costs are reported in the consolidated Low Rent Public Housing Program as follows:

	NC014-			Central	Total
	000001	000002	000003	Office Cost Center	
ACC # NC19P014501-10	\$ 26,756	\$ 41,136	\$ 34,644	\$ -	\$ 102,536
ACC # NC19P014501-11	30,069	65,591	80,773	-	176,433
ACC # NC19P014501-12	1,137	-	-	-	1,137
ACC # NC19P014501-13	-	-	-	-	-
<b>Total</b>	<u>\$ 57,962</u>	<u>\$ 106,727</u>	<u>\$ 115,417</u>	<u>\$ -</u>	<u>\$ 280,106</u>

	NC014-			Central	Total
	000001	000002	000003	Office Cost Center	
ACC # NC19P014501-10	\$ 30,415	\$ 19,014	\$ 20,057	\$ -	\$ 69,486
ACC # NC19P014501-11	142,045	118,553	120,529	-	381,127
ACC # NC19P014501-12	-	95,000	18,367	-	113,367
ACC # NC19P014501-13	-	-	-	-	-
<b>Total</b>	<u>\$ 172,460</u>	<u>\$ 232,567</u>	<u>\$ 158,953</u>	<u>\$ -</u>	<u>\$ 563,980</u>

	NC014-			Central	Total
	000001	000002	000003	Office Cost Center	
ACC # NC19P014501-10	\$ 57,171	\$ 60,150	\$ 54,701	\$ -	\$ 172,022
ACC # NC19P014501-11	172,114	184,144	201,302	-	557,560
ACC # NC19P014501-12	1,137	95,000	18,367	-	114,504
ACC # NC19P014501-13	-	-	-	-	-
<b>Total</b>	<u>\$ 230,422</u>	<u>\$ 339,294</u>	<u>\$ 274,370</u>	<u>\$ -</u>	<u>\$ 844,086</u>

**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)**  
**Capital Fund Program**  
**ACC # NC19P014501-10**  
**From Inception and For The Year Ended March 31, 2014**

	<u>Project Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable Unfavorable)</u>
<b>Revenues</b>					
HUD Capital Grants	\$1,303,946	\$1,131,924	\$ 172,022	\$1,303,946	\$ -
<b>Expenditures</b>					
Building improvements	786,755	684,219	102,536	786,755	-
Purchase of equipment	43,752	43,752	-	43,752	-
Administrative and contract c	473,439	403,953	69,486	473,439	-
<b>Total expenditures</b>	<u>1,303,946</u>	<u>1,131,924</u>	<u>172,022</u>	<u>1,303,946</u>	<u>-</u>
<b>Revenues over expenditu</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

All capitalized expenditures and administrative and contract costs are reported in the consolidated Low Rent Public Housing Program as follows:

	<u>NC014- 000001</u>	<u>NC014- 000002</u>	<u>NC014- 000003</u>	<u>Central Office Cost Center</u>	<u>Total</u>
Construction in progress	\$ 26,756	\$ 41,136	\$ 34,644	\$ -	\$ 102,536
Administrative and contract co	30,415	19,014	20,057	-	69,486
<b>Total</b>	<u>\$ 57,171</u>	<u>\$ 60,150</u>	<u>\$ 54,701</u>	<u>-</u>	<u>\$ 172,022</u>

**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)**  
**Capital Fund Program**  
**ACC # NC19P014501-11**  
**From Inception and For The Year Ended March 31, 2014**

	<u>Project Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable Unfavorable)</u>
<b>Revenues</b>					
HUD Capital Grants	\$1,112,500	\$ 547,021	\$ 557,560	\$1,104,581	\$ (7,919)
<b>Expenditures</b>					
Building improvements	703,775	219,881	176,434	396,315	307,460
Purchase of equipment	4,491	4,491	-	4,491	-
Administrative and contract c	404,234	322,649	381,126	703,775	(299,541)
<b>Total expenditures</b>	<u>1,112,500</u>	<u>547,021</u>	<u>557,560</u>	<u>1,104,581</u>	<u>7,919</u>
<b>Revenues over expenditu</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

All capitalized expenditures and administrative and contract costs are reported in the consolidated Low Rent Public Housing Program as follows:

	<u>NC014- 000001</u>	<u>NC014- 000002</u>	<u>NC014- 000003</u>	<u>Central Office Cost Center</u>	<u>Total</u>
Construction in progress	\$ 30,069	\$ 65,591	\$ 80,773	\$ -	\$ 176,433
Administrative and contract cost	142,045	118,553	120,529	-	381,127
<b>Total</b>	<u>\$ 172,114</u>	<u>\$ 184,144</u>	<u>\$ 201,302</u>	<u>-</u>	<u>\$ 557,560</u>

**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)**  
**Capital Fund Program**  
**ACC # NC19P014501-12**  
**From Inception and For The Year Ended March 31, 2014**

	<b>Project Budget</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total To Date</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>					
HUD Capital Grants	\$ 989,817	\$ 149,248	\$ 114,504	\$ 263,752	\$(726,065)
<b>Expenditures</b>					
Building improvements	773,653	106,482	1,137	107,619	666,034
Purchase of equipment	8,386	8,386	-	8,386	-
Administrative and contract costs	207,778	34,380	113,367	147,747	60,031
<b>Total expenditures</b>	<b>989,817</b>	<b>149,248</b>	<b>114,504</b>	<b>263,752</b>	<b>726,065</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

All capitalized expenditures and administrative and contract costs are reported in the consolidated Low Rent Public Housing Program as follows:

	<b>NC014- 000001</b>	<b>NC014- 000002</b>	<b>NC014- 000003</b>	<b>Central Office Cost Center</b>	<b>Total</b>
Construction in progress	\$ 1,137	\$ -	\$ -	\$ -	\$ 1,137
Administrative and contract costs	-	95,000	18,367	-	113,367
<b>Total</b>	<b>\$ 1,137</b>	<b>\$ 95,000</b>	<b>\$ 18,367</b>	<b>-</b>	<b>\$ 114,504</b>



**Housing Authority of the City of Lumberton**  
**Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)**  
**Capital Fund Program**  
**ACC # NC19P014501-13**  
**From Inception and For The Year Ended March 31, 2014**

	<b>Project Budget</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total To Date</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>					
HUD Capital Grants	\$1,029,253	\$ -	\$ -	\$ -	\$(1,029,253)
<b>Expenditures</b>					
Building improvements	720,478	-	-	-	720,478
Purchase of equipment	-	-	-	-	-
Administrative and contract c	308,775	-	-	-	308,775
<b>Total expenditures</b>	<b>1,029,253</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,029,253</b>
<b>Revenues over expenditu</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

All capitalized expenditures and administrative and contract costs are reported in the consolidated Low Rent Public Housing Program as follows:

	<b>NC014- 000001</b>	<b>NC014- 000002</b>	<b>NC014- 000003</b>	<b>Central Office Cost Center</b>	<b>Total</b>
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative and contract co	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>

**Housing Authority of the City of Lumberton  
Statement of Uncompleted Modernization Costs  
Capital Fund Program  
Annual Contributions Contract NC19P014501-10  
For The Year Ended March 31, 2014**

1. The actual modernization costs of Contract NC19P014501-10 are as follows:

	<u>Project</u>	<u>Total</u>
Funds approved	\$ 1,303,946	\$ 1,303,946
Funds expended	<u>1,303,946</u>	<u>1,303,946</u>
 <b>Excess (deficiency) of funds approved</b>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>
 Funds advanced HUD grants	 \$ 1,303,946	 \$ 1,303,946
Funds expended	<u>1,303,946</u>	<u>1,303,946</u>
 <b>Excess (deficiency) of funds advanced</b>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

2. Costs audited during the current audit period totaled \$172,022.

**Housing Authority of the City of Lumberton  
Statement of Uncompleted Modernization Costs  
Capital Fund Program  
Annual Contributions Contract NC19P014501-11  
For The Year Ended March 31, 2014**

1. The actual modernization costs of Contract NC19P014501-11 are as follows:

	<u>Project</u>	<u>Total</u>
Funds approved	\$ 1,104,581	\$ 1,112,500
Funds expended	<u>1,104,581</u>	<u>1,112,500</u>
 <b>Excess (deficiency) of funds approved</b>	 <u>\$ -</u>	 <u>\$ -</u>
 Funds advanced HUD grants	 \$ 1,104,581	 \$ 1,104,581
Funds expended	<u>1,104,581</u>	<u>1,104,581</u>
 <b>Excess (deficiency) of funds advanced</b>	 <u>\$ -</u>	 <u>\$ -</u>

2. Costs audited during the current audit period totaled \$557,560.

**Housing Authority of the City of Lumberton  
Statement of Uncompleted Modernization Costs  
Capital Fund Program  
Annual Contributions Contract NC19P014501-12  
For The Year Ended March 31, 2014**

1. The actual modernization costs of Contract NC19P014501-12 are as follows:

	<u>Project</u>	<u>Total</u>
Funds approved	\$ 263,752	\$ 989,817
Funds expended	<u>263,752</u>	<u>989,817</u>
 <b>Excess (deficiency) of funds approved</b>	 <u>\$ -</u>	 <u>\$ -</u>
 Funds advanced HUD grants	 \$ 263,752	 \$ 263,752
Funds expended	<u>263,752</u>	<u>263,752</u>
 <b>Excess (deficiency) of funds advanced</b>	 <u>\$ -</u>	 <u>\$ -</u>

2. Costs audited during the current audit period totaled \$114,504.

**Housing Authority of the City of Lumberton  
Statement of Uncompleted Modernization Costs  
Capital Fund Program  
Annual Contributions Contract NC19P014501-13  
For The Year Ended March 31, 2014**

1. The actual modernization costs of Contract NC19P014501-13 are as follows:

	<u>Project</u>	<u>Total</u>
Funds approved	\$ 1,029,925	\$ 1,029,253
Funds expended	<u>-</u>	<u>-</u>
 <b>Excess (deficiency) of funds approved</b>	 <b><u>\$ 1,029,925</u></b>	 <b><u>\$ 1,029,253</u></b>
 Funds advanced HUD grants	 \$ -	 \$ -
Funds expended	<u>-</u>	<u>-</u>
 <b>Excess (deficiency) of funds advanced</b>	 <b><u>\$ -</u></b>	 <b><u>\$ -</u></b>

2. Costs audited during the current audit period totaled \$0.

**Housing Authority of the City of Lumberton  
Schedule of Expenditures of Federal and State Awards  
For The Year Ended March 31, 2014**

<b>Grantor / Pass-through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>Federal grants:</b>		
US Department of Housing and Urban Development		
Housing Choice Voucher	14.871	\$ 2,787,713
Low Rent Public Housing	14.850	2,536,594
Public Housing Capital Fund	14.872	<u>844,086</u>
<b>Total assistance, federal programs</b>		<u><u>\$ 6,168,393</u></u>
<b>State grants:</b>		
Project Lift Off		<u><u>\$ 13,189</u></u>

NOTE: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the corporation and is presented on the 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.

## **Financial Data Schedule**

Housing Authority of the City of Lumberton (NC014)  
Lumberton, NC  
**Entity Wide Balance Sheet Summary**

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,641,186	\$341,976		\$446,342	\$2,429,504		\$2,429,504
113 Cash - Other Restricted		\$135,446			\$135,446		\$135,446
114 Cash - Tenant Security Deposits	\$110,428				\$110,428		\$110,428
100 Total Cash	\$1,751,614	\$477,422	\$0	\$446,342	\$2,675,378	\$0	\$2,675,378
122 Accounts Receivable - HUD Other Projects	\$0			\$53,394	\$53,394		\$53,394
125 Accounts Receivable - Miscellaneous	\$12,254	\$475		\$4,853	\$17,582		\$17,582
126 Accounts Receivable - Tenants	\$26,783				\$26,783		\$26,783
126.1 Allowance for Doubtful Accounts -Tenants	-\$2,679				-\$2,679		-\$2,679
128 Fraud Recovery	\$12,743	\$29,566			\$42,309		\$42,309
128.1 Allowance for Doubtful Accounts - Fraud	-\$1,274	-\$27,071			-\$28,345		-\$28,345
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$47,827	\$2,970	\$0	\$58,247	\$109,044	\$0	\$109,044
142 Prepaid Expenses and Other Assets	\$135,987	\$5,222		\$12,857	\$154,066		\$154,066
143 Inventories				\$106,120	\$106,120		\$106,120
143.1 Allowance for Obsolete Inventories				-\$26,345	-\$26,345		-\$26,345
144 Inter Program Due From	\$355,242				\$355,242	-\$355,242	\$0
150 Total Current Assets	\$2,290,670	\$485,614	\$0	\$597,221	\$3,373,505	-\$355,242	\$3,018,263
161 Land	\$367,539			\$11,000	\$378,539		\$378,539
162 Buildings	\$31,988,651				\$31,988,651		\$31,988,651
164 Furniture, Equipment & Machinery - Administration	\$890,686	\$25,777		\$151,945	\$1,068,408		\$1,068,408
165 Leasehold Improvements	\$4,151,965				\$4,151,965		\$4,151,965
166 Accumulated Depreciation	-\$22,496,213	-\$24,674		-\$150,476	-\$22,671,363		-\$22,671,363
167 Construction in Progress	\$1,565,122				\$1,565,122		\$1,565,122
160 Total Capital Assets, Net of Accumulated Depreciation	\$16,467,750	\$1,103	\$0	\$12,469	\$16,481,322	\$0	\$16,481,322
180 Total Non-Current Assets	\$16,467,750	\$1,103	\$0	\$12,469	\$16,481,322	\$0	\$16,481,322
190 Total Assets	\$18,758,420	\$486,717	\$0	\$609,690	\$19,854,827	-\$355,242	\$19,499,585
290 Total Assets and Deferred Outflow of Resources	\$18,758,420	\$486,717	\$0	\$609,690	\$19,854,827	-\$355,242	\$19,499,585



Housing Authority of the City of Lumberton (NC014)

Lumberton, NC

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	COCC	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$154,475	\$133,977		\$8,435	\$296,887		\$296,887
321 Accrued Wage/Payroll Taxes Payable	\$16,960	\$3,229		\$8,880	\$29,069		\$29,069
322 Accrued Compensated Absences - Current Portion	\$74,013	\$12,289		\$21,838	\$108,140		\$108,140
331 Accounts Payable - HUD PHA Programs		\$64,870		\$44,714	\$109,584		\$109,584
333 Accounts Payable - Other Government	\$5,448				\$5,448		\$5,448
341 Tenant Security Deposits	\$110,428				\$110,428		\$110,428
342 Unearned Revenue	\$7,484				\$7,484		\$7,484
345 Other Current Liabilities				\$121	\$121		\$121
347 Inter Program - Due To		\$4,466		\$350,776	\$355,242	-\$355,242	\$0
310 Total Current Liabilities	\$368,808	\$218,831	\$0	\$434,764	\$1,022,403	-\$355,242	\$667,161
354 Accrued Compensated Absences - Non Current	\$7,499	\$2,912		\$1,671	\$12,082		\$12,082
350 Total Non-Current Liabilities	\$7,499	\$2,912	\$0	\$1,671	\$12,082	\$0	\$12,082
300 Total Liabilities	\$376,307	\$221,743	\$0	\$436,435	\$1,034,485	-\$355,242	\$679,243
508.4 Net Investment in Capital Assets	\$16,467,750	\$1,103		\$12,469	\$16,481,322		\$16,481,322
511.4 Restricted Net Position		\$135,446			\$135,446		\$135,446
512.4 Unrestricted Net Position	\$1,914,363	\$128,425	\$0	\$160,786	\$2,203,574		\$2,203,574
513 Total Equity - Net Assets / Position	\$18,382,113	\$264,974	\$0	\$173,255	\$18,820,342	\$0	\$18,820,342
600 Total Liab., Der. Inflow or Res., and Equity - Net Assets / Position	\$18,758,420	\$486,717	\$0	\$609,690	\$19,854,827	-\$355,242	\$19,499,585

Housing Authority of the City of Lumberton (NC014)

Lumberton, NC

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,243,297				\$1,243,297		\$1,243,297
70400 Tenant Revenue - Other	\$201,456				\$201,456		\$201,456
70500 Total Tenant Revenue	\$1,444,753	\$0	\$0	\$0	\$1,444,753	\$0	\$1,444,753
70600 HUD PHA Operating Grants	\$3,100,574	\$2,787,713			\$5,888,287		\$5,888,287
70610 Capital Grants	\$280,106				\$280,106		\$280,106
70710 Management Fee				\$566,614	\$566,614	-\$566,614	\$0
70720 Asset Management Fee				\$87,480	\$87,480	-\$87,480	\$0
70730 Book Keeping Fee				\$113,520	\$113,520	-\$113,520	\$0
70700 Total Fee Revenue				\$767,614	\$767,614	-\$767,614	\$0
70800 Other Government Grants			\$13,189		\$13,189		\$13,189
71100 Investment Income - Unrestricted	\$2,726	\$267		\$1,300	\$4,293		\$4,293
71400 Fraud Recovery		\$30,888			\$30,888		\$30,888
71500 Other Revenue	\$192,263	\$7,920		\$6,473	\$206,656	-\$185,193	\$21,463
70000 Total Revenue	\$5,020,422	\$2,826,788	\$13,189	\$775,387	\$8,635,786	-\$952,807	\$7,682,979
91100 Administrative Salaries	\$390,391	\$129,175		\$282,718	\$802,284		\$802,284
91200 Auditing Fees	\$12,425	\$2,100		\$2,975	\$17,500		\$17,500
91300 Management Fee	\$728,861				\$728,861	-\$720,607	\$8,254
91310 Book-keeping Fee	\$63,728	\$49,793			\$113,521	-\$113,520	\$1
91400 Advertising and Marketing	\$586			\$1,359	\$1,945		\$1,945
91500 Employee Benefit contributions - Administrative	\$108,895	\$44,898		\$78,459	\$232,252		\$232,252
91600 Office Expenses	\$86,743	\$23,275	\$119	\$49,481	\$159,618	-\$31,200	\$128,418
91700 Legal Expense		\$744		\$8,631	\$9,375		\$9,375
91800 Travel	\$11,359	\$5,648		\$8,399	\$25,406		\$25,406
91900 Other	\$209,265	\$55,518	\$370	\$82,016	\$347,169		\$347,169
91000 Total Operating - Administrative	\$1,612,253	\$311,151	\$489	\$514,038	\$2,437,931	-\$865,327	\$1,572,604

Housing Authority of the City of Lumberton (NC014)

Lumberton, NC

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	COCC	Subtotal	ELIM	Total
92000 Asset Management Fee	\$87,480				\$87,480	-\$87,480	\$0
92100 Tenant Services - Salaries	\$36,396		\$8,931		\$45,327		\$45,327
92300 Employee Benefit Contributions - Tenant Services	\$12,108		\$3,276		\$15,384		\$15,384
92400 Tenant Services - Other	\$6,606				\$6,606		\$6,606
92500 Total Tenant Services	\$55,110	\$0	\$12,207	\$0	\$67,317	\$0	\$67,317
93100 Water	\$121,711	\$46		\$45	\$121,802		\$121,802
93200 Electricity	\$1,138,931	\$1,762		\$6,336	\$1,147,029		\$1,147,029
93300 Gas	\$95,344	\$242		\$1,520	\$97,106		\$97,106
93600 Sewer	\$202,483	\$35		\$224	\$202,742		\$202,742
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense	\$27,291	\$67		\$227	\$27,585		\$27,585
93000 Total Utilities	\$1,585,760	\$2,152	\$0	\$8,352	\$1,596,264	\$0	\$1,596,264
94100 Ordinary Maintenance and Operations - Labor	\$439,746				\$439,746		\$439,746
94200 Ordinary Maintenance and Operations - Materials and Other	\$213,437	\$46		\$6,849	\$220,332		\$220,332
94300 Ordinary Maintenance and Operations Contracts	\$381,145	\$1,152		\$5,986	\$388,283		\$388,283
94500 Employee Benefit Contributions - Ordinary Maintenance	\$139,762				\$139,762		\$139,762
94000 Total Maintenance	\$1,174,090	\$1,198	\$0	\$12,835	\$1,188,123	\$0	\$1,188,123
95200 Protective Services - Other Contract Costs	\$121,045			\$2,439	\$123,484		\$123,484
95000 Total Protective Services	\$121,045	\$0	\$0	\$2,439	\$123,484	\$0	\$123,484
96110 Property Insurance	\$87,807				\$87,807		\$87,807
96120 Liability Insurance	\$21,169				\$21,169		\$21,169
96130 Workmen's Compensation	\$16,472	\$5,358		\$8,879	\$30,709		\$30,709
96140 All Other Insurance	\$15,899			\$353	\$16,252		\$16,252
96100 Total insurance Premiums	\$141,347	\$5,358	\$0	\$9,232	\$155,937	\$0	\$155,937

Housing Authority of the City of Lumberton (NC014)  
Lumberton, NC

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	COCC	Subtotal	ELIM	Total
96200 Other General Expenses	\$34,792		\$493	\$1,986	\$37,271		\$37,271
96210 Compensated Absences		\$11,236			\$11,236		\$11,236
96300 Payments in Lieu of Taxes	\$5,448				\$5,448		\$5,448
96400 Bad debt - Tenant Rents	\$25,794				\$25,794		\$25,794
96000 Total Other General Expenses	\$66,034	\$11,236	\$493	\$1,986	\$79,749	\$0	\$79,749
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$4,843,119	\$331,095	\$13,189	\$548,882	\$5,736,285	-\$952,807	\$4,783,478
97000 Excess of Operating Revenue over Operating Expenses	\$177,303	\$2,495,693	\$0	\$226,505	\$2,899,501	\$0	\$2,899,501
97300 Housing Assistance Payments		\$2,462,195			\$2,462,195		\$2,462,195
97350 HAP Portability-In		\$6,886			\$6,886		\$6,886
97400 Depreciation Expense	\$858,329	\$357		\$5,367	\$864,053		\$864,053
90000 Total Expenses	\$5,701,448	\$2,800,533	\$13,189	\$554,249	\$9,069,419	-\$952,807	\$8,116,612
10093 Transfers between Program and Project - In		\$22,519		\$12,213	\$34,732	-\$34,732	\$0
10094 Transfers between Project and Program - Out	-\$34,732				-\$34,732	\$34,732	\$0
10100 Total Other financing Sources (Uses)	-\$34,732	\$22,519	\$0	\$12,213	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$715,758	\$48,774	\$0	\$233,351	-\$433,633	\$0	-\$433,633
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$18,644,451	\$216,200	-\$209	-\$59,887	\$18,800,555		\$18,800,555
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$453,420	\$0	\$209	-\$209	\$453,420		\$453,420
11170 Administrative Fee Equity		\$196,294			\$196,294		\$196,294
11180 Housing Assistance Payments Equity		\$68,680			\$68,680		\$68,680
11190 Unit Months Available	8748	7152		0	15900		15900
11210 Number of Unit Months Leased	8497	6579		0	15076		15076
11270 Excess Cash	\$1,429,281				\$1,429,281		\$1,429,281
11610 Land Purchases	\$0			\$0	\$0		\$0
11620 Building Purchases	\$280,106			\$0	\$280,106		\$280,106

## **Single Audit Section**



**Collins Kemp & Patterson, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Alexander Martin Collins, CPA  
Tamara Collins Kemp, CPA  
Matthew A. "Mat" Patterson, CPA

Member:  
American Institute of CPAs  
NC Association of CPAs

**Independent Auditor's Report On Internal Control Over Financial Reporting  
And On Compliance and Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With *Government Auditing Standards***

To the Chairman and the Board of Commissioners  
Housing Authority of the City of Lumberton  
Lumberton, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the major funds of the Housing Authority of the City of Lumberton, Lumberton, North Carolina, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 30, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any

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To the Chairman and the Board of Commissioners  
Housing Authority of the City of Lumberton  
Lumberton, North Carolina

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies (2014-1).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-2 through 2014-12.

### **Authority's Response to Findings**

The Housing Authority of the City of Lumberton, Lumberton, North Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Collins Kemp & Patterson, PLLC*

Lumberton, North Carolina  
September 30, 2014



**Collins Kemp & Patterson, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Alexander Martin Collins, CPA  
Tamara Collins Kemp, CPA  
Matthew A. "Mat" Patterson, CPA

Member:  
American Institute of CPAs  
NC Association of CPAs

**Independent Auditor's Report On Compliance For Each Major  
Program And On Internal Control Over Compliance Required By OMB  
Circular A-133 and the State Single Audit Implementation Act**

To the Chairman and the Board of Commissioners  
Housing Authority of the City of Lumberton  
Lumberton, North Carolina

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

We have audited the Housing Authority of the City of Lumberton, Lumberton, North Carolina's, compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2014. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**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**

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

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To the Chairman and the Board of Commissioners  
Housing Authority of the City of Lumberton  
Lumberton, North Carolina

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

### **Opinion on Each Major Program**

In our opinion, Housing Authority of the City of Lumberton, Lumberton, North Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended March 31, 2014.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-2 through 2014-12. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over

To the Chairman and the Board of Commissioners  
Housing Authority of the City of Lumberton  
Lumberton, North Carolina

compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-2 through 2014-12, that we consider to be significant deficiencies.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Collins Kemp & Patterson, PLLC*  
Lumberton, North Carolina  
September 30, 2014

**Housing Authority of the City of Lumberton  
Summary Schedule of Findings and Questioned Costs  
Year Ended March 31, 2014**

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of this organization.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of this organization were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the organization expresses an unqualified opinion.
6. Eleven audit findings relative to the major federal award programs for the organization are reported in this schedule.
7. The programs tested as major programs included: U.S. Department of Housing and Urban Development, Low Rent Public Housing (14.850), Housing Choice Vouchers (14.871), and Public Housing Capital Fund (14.872).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The organization was determined to be a high-risk auditee.

**B. Findings – Financial Statement Audit**

**2014-1:**

Statement of Condition – The Authority continues to experience lapses in its internal control environment.

Criteria – The 24 CFR, Part 85.20, Number (3), states that “effective control and accountability must be maintained for all grant and sub grant cash, real and personal property, and other assets. Grantees and sub grantees must adequately safeguard all such property and must assure that it is used for authorized purposes. Failure to enforce appropriate internal controls resulted in the following finding:

- During our testing of 69 payroll disbursements (totaling \$66,676), we noted the following policy violations:
  - Employee time sheet was not approved by a supervisor (1 instance).
  - Vacation/sick leave documentation was either not included or not approved (1 instance).

Effect/Consequence – Failure to follow proper internal control procedures could result in a material misstatement of the financial statements and in improper administering of Federal grant monies.

Cause – Management did not execute proper internal controls.

Recommendation – The Authority should continue to put appropriate checks and balances in place. Staff should be aware of such procedures and strive to execute them accordingly.

**Housing Authority of the City of Lumberton  
Summary Schedule of Findings and Questioned Costs (continued)  
Year Ended March 31, 2014**

**B. Findings - Financial Statement Audit (continued)**

**2014-1 (continued):**

Management's Response – We will continue to strengthen checks and balances.

**C. Findings and Questioned Costs-Major Federal Award Program Audit – Low Rent Public Housing (CFDA 14.850):**

**2014-2:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 60 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2014. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2014. The selected files represented a sample of all files in the three AMPS.

Criteria – HUD requires that certain criteria be met when determining tenant eligibility, selecting applicants from the waiting list, and calculating total tenant payments.

Effect - Required documentation (such as HUD-9886 forms and recertification forms) and/or tenant signatures were missing from the files (3 instances).

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

Recommendation – All property managers should receive training in tenant leasing/recertification procedures.

Management's Response – Significant staff turnover has contributed to tenant file errors. We will continue to train staff in following the proper procedures.

**2014-3:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 60 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2014. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2014. The selected files represented a sample of all files in the three AMPS.

Criteria – HUD requires that certain criteria be met when determining tenant eligibility, selecting applicants from the waiting list, and calculating total tenant payments.

Effect - Total tenant payment was calculated incorrectly (7 instances) totaling \$17 per month.

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

Recommendation – All property managers should receive training in tenant leasing/recertification procedures.

Management's Response – Significant staff turnover has contributed to tenant file errors. We will continue to train staff in following the proper procedures.

**Housing Authority of the City of Lumberton  
Summary Schedule of Findings and Questioned Costs (continued)  
Year Ended March 31, 2014**

**C. Findings and Questioned Costs-Major Federal Award Program Audit – Low Rent Public Housing (CFDA 14.850) (continued):**

**2014-4:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 60 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2014. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2014. The selected files represented a sample of all files in the three AMPS.

Criteria – HUD requires that certain criteria be met when determining tenant eligibility, selecting applicants from the waiting list, and calculating total tenant payments.

Effect - Security deposit refunds were not returned within 30 days (3 instances).

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

Recommendation – All property managers should receive training in tenant leasing/recertification procedures.

Management’s Response – Significant staff turnover has contributed to tenant file errors. We will continue to train staff in following the proper procedures.

**2014-5:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 60 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2014. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2014. The selected files represented a sample of all files in the three AMPS.

Criteria – HUD requires that certain criteria be met when determining tenant eligibility, selecting applicants from the waiting list, and calculating total tenant payments.

Effect - We noted 7 instances in which former tenants were not notified of additional charges within 30 days.

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

Recommendation – All property managers should receive training in tenant leasing/recertification procedures.

Management’s Response – Significant staff turnover has contributed to tenant file errors. We will continue to train staff in following the proper procedures.

**2014-6:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 60 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2014. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2014. The selected files represented a sample of all files in the three AMPS.

**Housing Authority of the City of Lumberton  
Summary Schedule of Findings and Questioned Costs (continued)  
Year Ended March 31, 2014**

**C. Findings and Questioned Costs-Major Federal Award Program Audit – Low Rent Public Housing (CFDA 14.850) (continued):**

**2014-6 (continued):**

Criteria – The 42 U.S. Code Section 1437D, section 6(f)(3), states that “each public housing agency that owns or operates public housing shall make an annual inspection of each public housing project to determine whether units in the project are maintained in accordance with the requirements under paragraph (1)”.

Effect – We noted 13 instances in which the annual unit inspection was not performed.

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

Recommendation – All property managers should receive training in tenant leasing/recertification procedures. Guidelines for annual unit inspections should be reviewed and followed.

Management’s Response – Significant staff turnover has contributed to tenant file errors. We will continue to train staff in following the proper procedures.

**2014-7:**

Statement of Condition – For the Low Rent Public Housing Fund Program, we reviewed the budget for spending authorizations. During this review, it was discovered that the Authority had not budgeted for monies spent for the year ending March 31, 2014. This resulted in 12 unfavorable variances in the Public Housing Capital Fund Program as it consolidates into the Low Rent Public Housing Program.

Criteria – HUD states that the Authority must budget expenditures.

Effect – This violation resulted in an overspending.

Cause – The Authority did not follow proper budgeting procedures.

Recommendation – The Authority should review budget versus actual budget amounts on a monthly basis and should amend the budget as spending needs arise.

Management’s Response – The Authority continues to implement procedures to properly budget all expenditures and to update the budget monthly as spending needs arise.

**D. Findings and Questioned Costs-Major Federal Award Program Audit – Housing Choice Voucher Program (CFDA 14.871):**

**2014-8:**

Statement of Condition – For the Housing Choice Voucher Program, we reviewed 60 files (recertification files and new files) for the fiscal year ended March 31, 2014. We reviewed 5 files for families that moved out during the fiscal year ended March 31, 2014.

Criteria – HUD requires that certain criteria be met when implementing new payment standards in determining the family’s share of rent. Per section 24 CFR 982.505, “the date on which a new payment standard is applied depends on whether the standard has increased or decreased. If the

**Housing Authority of the City of Lumberton  
Summary Schedule of Findings and Questioned Costs (continued)  
Year Ended March 31, 2014**

**D. Findings and Questioned Costs-Major Federal Award Program Audit – Housing Choice Voucher Program (CFDA 14.871) (continued):**

**2014-8 (continued):**

payment standard has increased, the increased payment standard will be applied at the first annual reexamination following the effective date of the increase in the payment standard. If the payment standard amount has decreased, the decreased payment standard will be applied at the second annual reexamination following the effective date of the decrease in the payment standard.”

Effect – In an effort to offset the projected 2013 shortfall for the Housing Choice Voucher Program, the Authority adopted revised occupancy standards. In many instances, these revised standards reduced the amount of subsidy due to the family. These standards were incorrectly implemented for all vouchers effective July 1, 2013. The Authority became aware of the error in June 2014 and calculated the amount owed to the landlords and families for rental assistance and utility allowances. The total amount owed for the period July 1, 2013 through March 31, 2014, was \$133,455.

Cause – The Authority did not follow HUD policy in implementing new payment standards.

Recommendation – HUD policy should be followed when implementing new payment standards.

Management’s Response – We agree that HUD policy should be followed. Staff turnover contributed to the error. We have worked diligently to correct the error.

**2014-9:**

Statement of Condition – For the Housing Choice Voucher Program, we reviewed 60 files (recertification files and new files) for the fiscal year ended March 31, 2014. We reviewed 5 files for families that moved out during the fiscal year ended March 31, 2014.

Criteria – HUD requires that certain criteria be met when determining family eligibility and calculating total family payments.

Effect – We noted one instance in which outdated income information was used in the rent calculation.

Recommendation – Income information should be updated at each reexamination. If updated information is not available, it should be noted in the file.

Management’s Response – We agree that all income information should be updated at reexamination. We will put procedures in place to ensure that updated information is obtained. If updated information is not available, we will instruct staff to note that in the file.

**2014-10:**

Statement of Condition – For the Housing Choice Voucher Program, we reviewed 60 files (recertification files and new files) for the fiscal year ended March 31, 2014. We reviewed 5 files for families that moved out during the fiscal year ended March 31, 2014.

Criteria – HUD requires that certain criteria be met when determining family eligibility and calculating total family payments.

**Housing Authority of the City of Lumberton**  
**Summary Schedule of Findings and Questioned Costs (continued)**  
**Year Ended March 31, 2014**

**D. Findings and Questioned Costs-Major Federal Award Program Audit – Housing Choice Voucher Program (CFDA 14.871) (continued):**

**2014-10 (continued):**

Effect – We noted one instance in which family income was calculated incorrectly, resulting in a family overpayment of \$12 per month.

Recommendation – Family income should be calculated correctly.

Management’s Response – We agree that family income should be calculated correctly. We will put procedures in place to ensure that calculations are checked for accuracy.

**2014-11:**

Statement of Condition – For the Housing Choice Voucher Program, we reviewed 60 files (recertification files and new files) for the fiscal year ended March 31, 2014. We reviewed 5 files for families that moved out during the fiscal year ended March 31, 2014.

Criteria – Per Authority policy, “an increase in the family share of the rent that results from an annual reexamination will take effect on the family’s anniversary date, and the family will be notified at least 30 days in advance. If less than 30 days remain before the scheduled effective date, the increase will take effect on the first of the month following the end of the 30-day notice period.”

Effect – We noted 10 instances in which 30 days’ notice was not given for rent increases.

Recommendation – The Authority should strive to provide families with at least 30 days’ notice of rent increases.

Management’s Response – We agree that 30 days’ notice should be given for rent increases. Staff turnover has contributed to the delay. We will continue to improve these times.

**2014-12:**

Statement of Condition – For the Housing Choice Voucher Program, we reviewed 60 files (recertification files and new files) for the fiscal year ended March 31, 2014. We reviewed 5 files for families that moved out during the fiscal year ended March 31, 2014.

Criteria – HUD requires that certain criteria be met when determining family eligibility and calculating total family payments.

Effect – We noted one instance in which receipt of dependent documentation was not date stamped. It is unclear from file documentation as to when the dependent should have been added to the lease. Improper inclusion of a dependent may adversely affect the family rent payment.

Recommendation – All documentation received regarding dependent status or income and expense verification should be date stamped by the Authority. This will provide a clear understanding of when information should have been included in rent payment calculations.

Management’s Response – We agree family information should be date stamped to eliminate any questions as to when the information should be included in the rent calculation. We will inform our staff to date stamp items when received.



**Housing Authority of the City of Lumberton  
Summary Schedule of Prior Year Audit Findings  
Year Ended March 31, 2014**

The following audit findings were noted for the year ended March 31, 2013.

**2013-1:**

Statement of Condition – Many of the policies and procedures used by the Authority are outdated. This could result in noncompliance with federal programs.

Criteria – Some policies have not been updated since the year 2000. There have been many changes in rules and regulations regarding the federal programs that fund the Authority.

Effect/Consequence – The outdated policies and procedures followed by the Authority may not incorporate all rules and regulations in place with the Federal programs. Failure to follow program rules and regulations will result in program non-compliance.

Recommendation – The Authority should review all policy manuals for the organization – employee, financial, program, operational – and update them immediately. Going forward, all policies should be reviewed and updated at least every 5 years. Policy changes should be approved by the Board.

Management’s Response – While many policies and procedures have been formally updated during the year, the interim Executive Director continues to work diligently with the staff to update all policies and procedures manuals.

**2013-2:**

Statement of Condition – The Board of Commissioners lacks the capacity to provide adequate oversight of the Authority’s management and internal controls. We noted management decisions made without consent or knowledge of the Board, as evidenced by the review of Board minutes.

Criteria - There have been numerous findings related to management and lack of internal control. The Board is ultimately responsible for the actions of the Authority.

Effect/Consequence – Lack of oversight by the Board contributed to management’s failure to follow policies and procedures, especially as they related to internal control.

Recommendation –The Board of Commissioners should attend Board Training seminars relating to effective management and oversight skills.

Management’s Response – The Board of Commissioners attended Board Training by the HUD field office in May, 2013.

**2013-3:**

Statement of Condition – The Authority’s internal control environment is very weak. Upper management has created an environment in which checks and balances are not followed.

Criteria – The 24 CFR, Part 85.20, Number (3), states that “effective control and accountability must be maintained for all grant and sub grant cash, real and personal property, and other assets. Grantees and sub grantees must adequately safeguard all such property and must assure that it is used for authorized purposes. Failure to enforce appropriate internal controls resulted in the following finding:

**Housing Authority of the City of Lumberton  
Summary Schedule of Prior Year Audit Findings (continued)  
Year Ended March 31, 2014**

**2013-3 (continued):**

- Board members were not kept informed of material transactions conducted by management. We noted that a Certificate of Deposit (approximately \$2,300,000) was cashed in from one financial institution and reinvested (\$1,500,000) in another institution. Transactions of this magnitude should be recorded in the Board minutes. There was no acknowledgement of this in the board minutes.

Effect/Consequence – Failure to follow proper internal control procedures could result in a material misstatement of the financial statements and in improper administering of Federal grant monies.

Cause – Management did not execute proper internal controls.

Recommendation – The Authority should put appropriate checks and balances in place. Financial procedures should be documented and followed. All employees, including upper management, should be expected to enforce such procedures.

Management's Response – Under the direction of the interim Executive Director, the Authority continues to strengthen its internal control procedures.

**2013-4:**

Statement of Condition – The Authority deposits all tenant security deposit collections into a general operations cash bank account instead of directly into the security deposit bank account. At month end, the Authority calculates what the balance should be in the security deposit account, then transfers money from the general operations account into the security deposit account. This is considered comingling of funds.

Criteria – Tenant security deposits must be maintained in a separate account at all times.  
Effect/Consequence – The proper amount of money may not be set aside for the possible return of tenant security deposits.

Cause – Management did not follow proper policies and procedures.

Recommendation – The Authority should immediately begin depositing all security deposit collections directly into the security deposit bank account.

Management's Response – The Authority has opened a separate bank account for tenant security deposits.

**2013-5:**

Statement of Condition – The accounting software system used by the Authority does not allow for timely retrieval of information. The Authority must contact a single programmer, who works from home in another state, to generate certain reports that should be readily available.

Effect/Consequence – The current accounting system does not sufficiently meet the needs of the Authority.

Cause – The current accounting system was designed many years ago. There is not adequate technical support.

**Housing Authority of the City of Lumberton**  
**Summary Schedule of Prior Year Audit Findings (continued)**  
**Year Ended March 31, 2014**

**2013-5 (continued):**

Recommendation – The Authority should upgrade its accounting software.

Management’s Response – Effective April 1, 2013, a fee accountant began handling the daily ledger transactions and providing financial reporting information to management. During the year, management selected a new software program to manage tenant tracking and accounting transactions. Training on this software began in July, 2014.

**2013-6:**

Statement of Condition – The Authority does not maintain adequate controls over its parts inventory. The areas are not secure, making it very difficult to control access. For most of the FYE March 31, 2013, maintenance staff took parts out of the inventory rooms as needed. It made it very difficult to determine the costs to charge each AMP. As a result, the Authority was forced to allocate costs instead of using the direct cost method.

Criteria – Inventory costs should be directly charged to each AMP.

Effect/Consequence – The Authority cannot track repairs and maintenance costs per AMP. Additionally, there is no control over the safeguarding of assets.

Cause – There are inadequate controls surrounding the inventory cycle.

Recommendation – The Authority should design and implement controls over inventory items. Access to inventory should be limited. Maintenance staff should complete the proper requisition forms prior to receiving parts, so that the AMPs may be properly charged.

Management’s Response – Management has implemented new processes and controls regarding the purchasing cycle and the inventory control cycle. Inventory items are better safeguarded, and costs transferred to the AMPS are better tracked. A facilities maintenance manager has been hired to strengthen controls in this area and better track costs charged to the AMPS.

**2013-7:**

Statement of Condition –The Authority’s internal control environment is very weak. Upper management has created an environment in which checks and balances are not followed.

Criteria – The 24 CFR, Part 85.20, Number (3), states that “effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used for authorized purposes. Failure to enforce appropriate internal controls resulted in the following finding:

- Cash advances are given to employees and board members for business related travel expenses. Per policy, all advances must be settled within 10 days of the scheduled return. Per review of the settlement dates for the 53 advances issued in the fiscal year ended March 31, 2013, 20 advances were not settled within the 10 day period.

Effect/Consequence – Failure to follow proper internal control procedures could result in a material misstatement of the financial statements and in improper administering of Federal grant monies.

Cause – Management did not execute proper internal controls.

**Housing Authority of the City of Lumberton**  
**Summary Schedule of Prior Year Audit Findings (continued)**  
**Year Ended March 31, 2014**

**2013-7 (continued):**

Recommendation – The Authority should put appropriate checks and balances in place. Financial procedures should be documented and followed. All employees, including upper management, should be expected to enforce such procedures.

Management’s Response – Under the direction of the interim Executive Director, new procedures have been implemented regarding travel reimbursement.

**2013-8:**

Statement of Condition –The Authority’s internal control environment is very weak. Upper management has created an environment in which checks and balances are not followed.

Criteria – The 24 CFR, Part 85.20, Number (3), states that “effective control and accountability must be maintained for all grant and sub grant cash, real and personal property, and other assets. Grantees and sub grantees must adequately safeguard all such property and must assure that it is used for authorized purposes. Failure to enforce appropriate internal controls resulted in the following finding:

- During our testing of 60 payroll disbursements (totaling \$57,226), we noted the following policy violations:
  - Employee time sheets were not approved by a supervisor (4 instances).
  - Employee (Executive Director) approved his own time sheet (1 instance totaling \$2,013).
  - Vacation/sick leave documentation was either not included or not approved (14 instances totaling \$11,773).
  - Documentation was not included for overtime hours or for hours carried forward from a previous pay period (1 instance totaling \$1,388).
  - Wages were improperly calculated (1 instance totaling \$26).

Effect/Consequence – Failure to follow proper internal control procedures could result in a material misstatement of the financial statements and in improper administering of Federal grant monies.

Cause – Management did not execute proper internal controls.

Recommendation – The Authority should put appropriate checks and balances in place. Financial procedures should be documented and followed. All employees, including upper management, should be expected to enforce such procedures.

Management’s Response – Under the direction of the interim Executive Director, policies and procedures involving internal controls have been strengthened. The Authority continues to make improvements in these areas.

**2013-9:**

Statement of Condition –The Authority’s internal control environment is very weak. Upper management has created an environment in which checks and balances are not followed.

Criteria – The 24 CFR, Part 85.20, Number (3), states that “effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used for

**Housing Authority of the City of Lumberton  
Summary Schedule of Prior Year Audit Findings (continued)  
Year Ended March 31, 2014**

**2013-9 (continued):**

authorized purposes. Failure to enforce appropriate internal controls resulted in the following finding:

- Checks require only one signature, the Executive Director. As a result, all checks written to the Executive Director were signed by him (30 checks totaling \$52,771).

Effect/Consequence – Failure to follow proper internal control procedures could result in a material misstatement of the financial statements and in improper administering of Federal grant monies.

Cause – Management did not execute proper internal controls.

Recommendation – The Authority should put appropriate checks and balances in place. Financial procedures should be documented and followed. All employees, including upper management, should be expected to enforce such procedures.

Management's Response – Under the direction of the interim Executive Director, policies and procedures involving internal controls have been strengthened. The Authority continues to make improvements in these areas.

**2013-10:**

Statement of Condition –The Authority's internal control environment is very weak. Upper management has created an environment in which checks and balances are not followed.

Criteria – The 24 CFR, Part 85.20, Number (3), states that "effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used for authorized purposes. Failure to enforce appropriate internal controls resulted in the following finding:

- Bank reconciliations were not signed by the Finance Director (10 examined, 5 not signed).

Effect/Consequence – Failure to follow proper internal control procedures could result in a material misstatement of the financial statements and in improper administering of Federal grant monies.

Cause – Management did not execute proper internal controls.

Recommendation – The Authority should put appropriate checks and balances in place. Financial procedures should be documented and followed. All employees, including upper management, should be expected to enforce such procedures.

Management's Response – All bank reconciliations are prepared by the fee accountant. Copies are forwarded to management in the monthly reporting packages.

**2013-11:**

Statement of Condition –The Authority's internal control environment is very weak. Upper management has created an environment in which checks and balances are not followed.

**Housing Authority of the City of Lumberton  
Summary Schedule of Prior Year Audit Findings (continued)  
Year Ended March 31, 2014**

**2013-11 (continued):**

Criteria – The 24 CFR, Part 85.20, Number (3), states that “effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used for authorized purposes. Failure to enforce appropriate internal controls resulted in the following finding:

- Journal vouchers were dated out of sequence.

Effect/Consequence – Failure to follow proper internal control procedures could result in a material misstatement of the financial statements and in improper administering of Federal grant monies.

Cause – Management did not execute proper internal controls.

Recommendation – The Authority should put appropriate checks and balances in place. Financial procedures should be documented and followed. All employees, including upper management, should be expected to enforce such procedures.

Management’s Response – All journal vouchers are prepared and posted by the fee accountant. Copies are forwarded to management in the monthly reporting packages.

**2013-12:**

Statement of Condition –The Authority’s internal control environment is very weak. Upper management has created an environment in which checks and balances are not followed.

Criteria – The 24 CFR, Part 85.20, Number (3), states that “effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used for authorized purposes. Failure to enforce appropriate internal controls resulted in the following finding:

- Management did not follow travel policy when issuing per diem meal allowances. We noted an instance in which an employee was given 2 full days of meal expenses (\$102) for a 2 day class in Fayetteville, NC (lunch per diem only - \$24).

Effect/Consequence – Failure to follow proper internal control procedures could result in a material misstatement of the financial statements and in improper administering of Federal grant monies.

Cause – Management did not execute proper internal controls.

Recommendation – The Authority should put appropriate checks and balances in place. Financial procedures should be documented and followed. All employees, including upper management, should be expected to enforce such procedures.

Management’s Response – Under the direction of the interim Executive Director, policies and procedures involving internal controls have been strengthened. The Authority continues to make improvements in these areas.

**Housing Authority of the City of Lumberton**  
**Summary Schedule of Prior Year Audit Findings (continued)**  
**Year Ended March 31, 2014**

**2013-13:**

Statement of Condition –The Authority’s internal control environment is very weak. Upper management has created an environment in which checks and balances are not followed.

Criteria – The 24 CFR, Part 85.20, Number (3), states that “effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used for authorized purposes. Failure to enforce appropriate internal controls resulted in the following finding:

- During our testing of 82 disbursements (totaling \$3,537,595) made during the fiscal year ended March 31, 2013, we noted the following policy violations:
  - Purchase orders/invoices were not approved by the Executive Director (4 instances totaling \$4,021).
  - Check copies were not initialed by the Executive Director (4 instances totaling \$114,283).
  - Purchase order/invoice was approved for payment by the Executive Director after the date on the check (3 instances totaling \$6,353).
  - Date stamped as paid by the finance department was incorrect (3 instances totaling \$9,355).

Effect/Consequence – Failure to follow proper internal control procedures could result in a material misstatement of the financial statements and in improper administering of Federal grant monies.

Cause – Management did not execute proper internal controls.

Recommendation – The Authority should put appropriate checks and balances in place. Financial procedures should be documented and followed. All employees, including upper management, should be expected to enforce such procedures.

Management’s Response – Under the direction of the interim Executive Director, policies and procedures involving internal controls have been strengthened. The Authority continues to make improvements in these areas.

**2013-14:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 65 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2013. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2013. The selected files represented a sample of all files in the three AMPS.

Criteria – HUD requires that certain criteria be met when determining tenant eligibility, selecting applicants from the waiting list, and calculating total tenant payments.

Effect – We reviewed all move-ins for the month of April, 2012. Of the 8 tenants that moved in during that month, only 1 had been on the waiting list for more than 1 week. It does not appear that applicants are being properly selected from the waiting list.

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

**Housing Authority of the City of Lumberton**  
**Summary Schedule of Prior Year Audit Findings (continued)**  
**Year Ended March 31, 2014**

**2013-14 (continued):**

Recommendation – All property managers should receive training in tenant leasing/recertification procedures.

Management’s Response – The Low Rent Public Housing department has been restructured. It has been communicated to employees that there will be no special or improper treatment given to applicants on the waiting list. Efforts continue to be made to train employees in completing the certification and recertification processes.

**2013-15:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 65 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2013. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2013. The selected files represented a sample of all files in the three AMPS.

Criteria – HUD requires that certain criteria be met when determining tenant eligibility, selecting applicants from the waiting list, and calculating total tenant payments.

Effect - Required documentation (such as annual inspection forms and recertification forms) and/or tenant signatures were missing from the files (7 instances).

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

Recommendation – All property managers should receive training in tenant leasing/recertification procedures.

Management’s Response – The Low Rent Public Housing department has been restructured. Efforts continue to be made to train employees in completing the certification and recertification processes.

**2013-16:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 65 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2013. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2013. The selected files represented a sample of all files in the three AMPS.

Criteria – HUD requires that certain criteria be met when determining tenant eligibility, selecting applicants from the waiting list, and calculating total tenant payments.

Effect - Total tenant payment was calculated incorrectly (8 instances) totaling \$2,556.

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

Recommendation – All property managers should receive training in tenant leasing/recertification procedures.

Management’s Response – The Low Rent Public Housing department has been restructured. Efforts continue to be made to train employees in completing the certification and recertification processes.



**Housing Authority of the City of Lumberton**  
**Summary Schedule of Prior Year Audit Findings (continued)**  
**Year Ended March 31, 2014**

**2013-17:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 65 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2013. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2013. The selected files represented a sample of all files in the three AMPS.

Criteria – HUD requires that certain criteria be met when determining tenant eligibility, selecting applicants from the waiting list, and calculating total tenant payments.

Effect - Security deposit refunds were not returned within 30 days (2 instances).

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

Recommendation – All property managers should receive training in tenant leasing/recertification procedures.

Management’s Response – The Low Rent Public Housing department has been restructured. Efforts continue to be made to train employees in completing the certification and recertification processes.

**2013-18:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 65 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2013. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2013. The selected files represented a sample of all files in the three AMPS.

Criteria – HUD requires that certain criteria be met when determining tenant eligibility, selecting applicants from the waiting list, and calculating total tenant payments.

Effect - We noted 3 instances in which former tenants were not notified of additional charges within 30 days.

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

Recommendation – All property managers should receive training in tenant leasing/recertification procedures.

Management’s Response – The Low Rent Public Housing department has been restructured. Efforts continue to be made to train employees in completing the certification and recertification processes.

**2013-19:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 65 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2013. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2013. The selected files represented a sample of all files in the three AMPS.

Criteria – HUD requires that certain criteria be met when determining tenant eligibility, selecting applicants from the waiting list, and calculating total tenant payments.

**Housing Authority of the City of Lumberton**  
**Summary Schedule of Prior Year Audit Findings (continued)**  
**Year Ended March 31, 2014**

**2013-19 (continued):**

Effect - 3 tenants were considered related parties to employees in the Low Rent Public Housing section. One of these lived in an apartment managed by the related party. It appears that all 3 tenants were improperly selected from the waiting list. 1 tenant was over housed.

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

Recommendation – All property managers should receive training in tenant leasing/recertification procedures. Guidelines for the tenant waiting list should be reviewed and followed. Related party certifications/recertifications/issues should be conducted by a non-related party.

Management’s Response – The Low Rent Public Housing department has been restructured. Staff has been made aware that improper selections from the tenant waiting list will not be tolerated. Efforts continue to be made to train employees in completing the certification and recertification processes.

**2013-20:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 65 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2013. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2013. The selected files represented a sample of all files in the three AMPS.

Criteria – HUD requires that certain criteria be met when determining tenant eligibility, selecting applicants from the waiting list, and calculating total tenant payments.

Effect - Delinquency in paying rent is considered a violation of the lease agreement and is grounds for eviction. Termination letters for non-payment of rent were sent but eviction notices were not initiated.

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

Recommendation – All property managers should receive training in tenant leasing/recertification procedures. Eviction procedures should be initiated for non-payment of rent.

Management’s Response – The Low Rent Public Housing department has been restructured. Efforts continue to be made to train employees in completing the certification and recertification processes.

**2013-21:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 65 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2013. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2013. The selected files represented a sample of all files in the three AMPS.

Criteria – HUD requires that certain criteria be met when determining tenant eligibility, selecting applicants from the waiting list, and calculating total tenant payments.

Effect – Criminal activity is considered a violation of the lease agreement and is grounds for eviction. Eviction notices were not initiated.

**Housing Authority of the City of Lumberton**  
**Summary Schedule of Prior Year Audit Findings (continued)**  
**Year Ended March 31, 2014**

**2013-21 (continued):**

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

Recommendation – All property managers should receive training in tenant leasing/recertification procedures. Eviction procedures should be initiated for criminal activity.

Management’s Response – The Low Rent Public Housing department has been restructured. Efforts continue to be made to train employees in completing the certification and recertification processes.

**2013-22:**

Statement of Condition – For the Low Rent Public Housing program, we reviewed 65 tenant files (recertification files and new tenant files) for the fiscal year ended March 31, 2013. We reviewed 15 files for tenants who moved out during the fiscal year ended March 31, 2013. The selected files represented a sample of all files in the three AMPS.

Criteria – HUD requires that certain criteria be met when determining tenant eligibility, selecting applicants from the waiting list, and calculating total tenant payments.

Effect – No procedures are in place to remove potential applicants from the “banned” list.

Cause – Incorrect procedures were followed in regards to tenant leasing processes.

Recommendation – All property managers should receive training in tenant leasing/recertification procedures.

Management’s Response – The Low Rent Public Housing department has been restructured. Efforts continue to be made to train employees in completing the certification and recertification processes. We will develop and implement procedures to remove potential applicants from the “banned” list.

**2013-23:**

Statement of Condition – The software system used by the Authority to manage tenant activity is outdated and difficult to use. The reports generated by the system are difficult to use and do not allow management to effectively monitor units (i.e. – vacant, leased, # days in repair, etc.).

Effect – To current software system does not sufficiently meet the needs of the Authority. The Authority has a difficult time tracking unit turnaround time.

Cause – The current tracking system was designed many years ago. There is not adequate technical support.

Recommendation – The Authority should upgrade its tenant management software.

Management’s Response – Effective July 1, 2014, the Authority will begin using TenMast, a tenant management software. This software will enable management to more effectively manage tenant activity.

**Housing Authority of the City of Lumberton**  
**Summary Schedule of Prior Year Audit Findings (continued)**  
**Year Ended March 31, 2014**

**2013-24:**

Statement of Condition – During HUD’s review of the Authority in March 2012, it was discovered that the Authority had violated the terms of the Annual Contribution Contract by entering into 2 maintenance contracts with employees/former employees of the Authority. This caused conflicts of interest. Prior year activity with these vendors totaled \$321,630. Current year activity with these vendors has been minimal.

Criteria – The Annual Contribution Contract states that the Authority cannot enter into contracts with its employees. This is also a violation of HUD policy.

Effect – This violation resulted in an OIG investigation.

Cause – The Authority did not follow contract requirements or HUD requirements. These pre-vacancy contracts resulted in conflicts of interest between the Authority and its employees.

Recommendation – The Authority must not do business with these contractors. In the future, the Authority should follow the criteria as set forth in the Annual Contribution Contract and in HUD policy.

Management’s Response – Policies and procedures have been implemented to prevent the Authority from entering into contracts that violate HUD policies.

**2013-25:**

Statement of Condition – For the Low Rent Public Housing Fund Program, we reviewed the budget for spending authorizations. During this review, it was discovered that the Authority had not budgeted for monies spent for the year ending March 31, 2013. This resulted in 15 unfavorable variances in the Public Housing Capital Fund Program as it consolidates into the Low Rent Public Housing Program.

Criteria – HUD states that the Authority must budget expenditures.

Effect – This violation resulted in an overspending.

Cause – The Authority did not follow proper budgeting procedures.

Recommendation – The Authority should review budget versus actual budget amounts on a monthly basis and should amend the budget as spending needs arise.

Management’s Response – The Authority continues to implement procedures to properly budget all expenditures and to update the budget monthly as spending needs arise.

**2013-26:**

Statement of Condition – For the Housing Choice Voucher Program, we reviewed 65 files (recertification files and new files) for the fiscal year ended March 31, 2013. We reviewed 5 files for tenants that moved out during the fiscal year ended March 31, 2013.

Criteria – HUD requires that certain criteria be met when determining resident eligibility and calculating total family payments.

**Housing Authority of the City of Lumberton  
Summary Schedule of Prior Year Audit Findings (continued)  
Year Ended March 31, 2014**

**2013-26 (continued):**

Effect – During our file review we noted that one application did not include the date or time received.

Cause – Incorrect documentation procedures were followed.

Recommendation – All applications should be time and date stamped.

Management's Response – The Housing Choice Voucher Program has been restructured. Procedures have been implemented to ensure all applications are time and date stamped.

**2013-27:**

Statement of Condition – For the Housing Choice Voucher Program, we reviewed 65 files (recertification files and new files) for the fiscal year ended March 31, 2013. We reviewed 5 files for tenants that moved out during the fiscal year ended March 31, 2013.

Criteria – HUD requires that certain criteria be met when determining resident eligibility and calculating total family payments.

Effect – Extra information (child care expenses, disability information) was included in 2 files. Verification/denial of this information was not documented in the files. None of the extra information was included in the calculation of the family's total payment.

Recommendation – Extraneous information should be documented as such.

Management's Response – The Housing Choice Voucher Program has been restructured. Efforts continue to be made to train employees in correctly calculating family payments.

**Housing Authority of the City of Lumberton  
Corrective Action Plan  
Year Ended March 31, 2014**

September 30, 2014

US Department of Housing and Urban Development

We respectfully submit the following corrective action plan for the year ended March 31, 2014.

Name and address of independent public accounting firm:

Collins Kemp & Patterson, PLLC  
PO Box 1105  
Lumberton, NC 28359

Audit period: Year Ended March 31, 2014

The findings from the March 31, 2014, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**A. Findings – Financial Statement Audit**

**2014-1:**

Under the direction of the interim Executive Director, the Authority continues to implement and enforce procedures to strengthen internal controls. There has been significant turnover in the Finance Director position during the current fiscal year.

**B. Findings – Federal Award Program Audit**

**2014-2:**

There has been significant turnover and restructuring in the Authority's Low Rent Public Housing Program department in the current fiscal year. We will continue to train staff in proper tenant leasing/recertification procedures.

**2014-3:**

There has been significant turnover and restructuring in the Authority's Low Rent Public Housing Program department in the current fiscal year. We will continue to train staff in proper tenant leasing/recertification procedures.

**2014-4:**

There has been significant turnover and restructuring in the Authority's Low Rent Public Housing Program department in the current fiscal year. We will continue to train staff in proper tenant leasing/recertification procedures.

**2014-5:**

There has been significant turnover and restructuring in the Authority's Low Rent Public Housing Program department in the current fiscal year. We will continue to train staff in proper tenant leasing/recertification procedures.

**Housing Authority of the City of Lumberton  
Corrective Action Plan (continued)  
Year Ended March 31, 2014**

**B. Findings – Federal Award Program Audit (continued)**

**2014-6:**

There has been significant turnover and restructuring in the Authority's Low Rent Public Housing Program department in the current fiscal year. We will continue to train staff in proper tenant leasing/recertification procedures.

**2014-7:**

The Authority continues to implement procedures to properly budget all expenditures and to update the budget monthly as spending needs arise.

**2014-8:**

There has been significant turnover and restructuring in the Authority's Housing Choice Voucher Program department in the current fiscal year. We will continue to train staff in proper tenant leasing/recertification procedures.

**2014-9:**

There has been significant turnover and restructuring in the Authority's Housing Choice Voucher Program department in the current fiscal year. We will continue to train staff in proper tenant leasing/recertification procedures.

**2014-10:**

There has been significant turnover and restructuring in the Authority's Housing Choice Voucher Program department in the current fiscal year. We will continue to train staff in proper tenant leasing/recertification procedures.

**2014-11:**

There has been significant turnover and restructuring in the Authority's Housing Choice Voucher Program department in the current fiscal year. We will continue to train staff in proper tenant leasing/recertification procedures.


**2014-12:**

There has been significant turnover and restructuring in the Authority's Housing Choice Voucher Program department in the current fiscal year. We will continue to train staff in proper tenant leasing/recertification procedures.

**Housing Authority of the City of Lumberton  
Corrective Action Plan (continued)  
Year Ended March 31, 2014**

If the US Department of Housing and Urban Development has questions regarding this plan, please call us at 910-671-8200.

Sincerely,

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*Director*

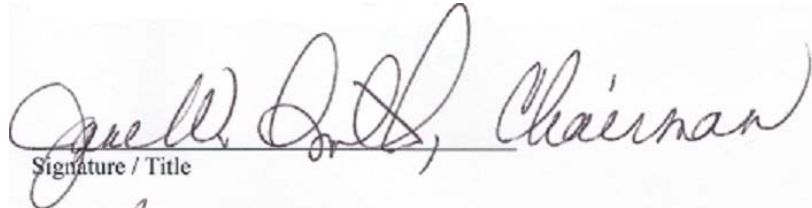
LeMark Harris  
Interim Executive Director




**Housing Authority of the City of Lumberton  
Certification of Officers  
Year Ended March 31, 2014**

September 30, 2014

We hereby certify that we have examined the accompanying financial statements and supplementary data of Housing Authority of the City of Lumberton, Lumberton, North Carolina, and to the best of our knowledge and belief, the same is complete and accurate.

  
Signature / Title

  
Signature / Title

