

Housing Authority of the City of Lumberton

Lumberton, North Carolina

Financial Statements

March 31, 2013

Prepared by:

Collins Kemp & Patterson, PLLC
Lumberton, North Carolina

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Independent Auditor's Report



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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, 2013, 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, 2013, 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 December 20, 2013, 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
December 20, 2013

Management's Discussion and Analysis

Housing Authority of the City of Lumberton Management's Discussion and Analysis For the Year Ending March 31, 2013

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, 2013. 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, 2013, the Authority's net position decreased by \$643,206 (or 3.31%) to \$18,800,555, net investment in capital assets increased by \$259,290 (or 1.54%) to \$17,063,241, unrestricted net position decreased by \$801,180 to \$1,737,314, and restricted net position decreased by \$101,316 to \$0.

The operating revenues are \$8,190,928 for the FYE March 31, 2013.

Total operating expenses of all the Authority's programs were \$9,317,267 during the FYE March 31, 2013.

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, 2013**

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.

Authority's Net Position

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 3,049,751	\$ 3,098,990
Capital assets	17,063,241	16,803,951
Total assets	<u>20,112,992</u>	<u>19,902,941</u>
Current liabilities	752,559	361,519
Non-current liabilities	559,878	97,661
	<u>1,312,437</u>	<u>459,180</u>
Net position		
Net investment in capital assets	17,063,241	16,803,951
Restricted	-	101,316
Unrestricted	1,737,314	2,538,494
Total net position	<u>\$ 18,800,555</u>	<u>\$ 19,443,761</u>

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 \$18,800,555 as of March 31, 2013. The Authority's net position decreased by \$643,206 for the fiscal year ended March 31, 2013. The largest portion of net position (90.75%) 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. The remaining balance of \$1,737,314 is unrestricted.

**Housing Authority of the City of Lumberton
Management's Discussion and Analysis (continued)
For the Year Ending March 31, 2013**

The financial operations of the Authority negatively influenced the total net position with the capital contribution of \$935,574 in the Capital Fund Program and the associated increase in capital assets.

Authority's Changes in Net Position

	<u>2013</u>	<u>2012</u>
Operating revenues		
Dwelling rental	\$ 1,208,150	\$ 1,080,058
Excess utilities	152,740	238,927
Operating subsidy-HUD	5,410,253	6,129,874
Capital fund grants	605,562	-
Other revenues	814,223	85,225
Total operating revenues	<u>8,190,928</u>	<u>7,534,084</u>
Operating expenses		
Administration	2,164,662	1,573,202
Asset management fees	87,480	87,480
Tenant services	148,952	55,798
Utilities	1,441,027	1,455,796
Ordinary maintenance	1,847,574	1,683,921
Protective services	20,003	12,143
Insurance	153,805	175,041
General expense	92,678	13,642
Housing assistance payments	2,460,635	2,477,453
Depreciation	900,451	858,845
Total operating expenses	<u>9,317,267</u>	<u>8,393,321</u>
Operating income (loss)	<u>(1,126,339)</u>	<u>(859,237)</u>
Nonoperating revenues (expenses):		
Casualty losses	-	(19,425)
Special items payback to HUD	(465,630)	-
Interest income	13,189	36,411
Nonoperating revenues (expenses)	<u>(452,441)</u>	<u>16,986</u>
Capital contributions	<u>935,574</u>	<u>1,255,600</u>
Change in Net Position	<u>(643,206)</u>	<u>413,349</u>
Net Position, beginning of year	<u>19,443,761</u>	<u>19,030,412</u>
Net Position, end of year	<u><u>\$18,800,555</u></u>	<u><u>\$19,443,761</u></u>

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets as of March 31, 2013, totals \$17,063,241 (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, 2013**

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.

Authority's Capital Assets

	<u>2013</u>	<u>2012</u>
Land, non-depreciable improvements, and construction in progress	\$ 2,673,909	\$ 1,514,168
Buildings and improvements	31,077,089	31,077,089
Leasehold improvements	4,151,965	4,151,965
Furniture and equipment	967,096	967,096
Less accumulated depreciation	<u>(21,806,818)</u>	<u>(20,906,367)</u>
Total capital assets	<u>\$17,063,241</u>	<u>\$16,803,951</u>

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. One of the findings indicated that the Authority should repay \$465,630 to HUD. As of December 16, 2013, the Authority has entered into an agreement to pay back \$321,630 in 10 annual installments beginning March 31, 2015. It is expected the remaining \$144,000 will be paid back under similar requirements although that agreement has not been reached. As a result, \$465,630 is shown as Long Term Debt and captioned as “Notes payable, HUD” on the Statement of Net Position. These amounts are also expensed in the Statement of Revenues, Expenses and Changes in Net Position - All Funds and captioned as “Special items payback to HUD” under Nonoperating revenues (expenses).

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.

**Housing Authority of the City of Lumberton
Management's Discussion and Analysis (continued)
For the Year Ending March 31, 2013**

Budget Highlights for the Fiscal Year Ending March 31, 2014

Budgeted general operating expenses have been increased by 2% to cover increased personnel costs and 2.5% to cover increased costs of material, supplies, and other operating expenses. Operating subsidies from HUD are expected to increase by 1.9%. Tenant rents from vacant units are expected to make up the difference.

Requests for Information

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
Statement of Net Position
March 31, 2013

	Major Funds		
	Low Rent Public Housing Program	Housing Choice Voucher Program	Total Funds
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 553,573	\$ 177,211	\$ 730,784
Short-term investments	1,397,306	102,694	1,500,000
Accounts receivable-HUD	546,120	-	546,120
Accounts receivable-Other	26,821	2,660	29,481
Supplies Inventories	115,782	-	115,782
Internal activities	48,767	(48,767)	-
Prepaid items	122,540	5,044	127,584
Total current assets	2,810,909	238,842	3,049,751
Non-current assets, capital assets			
Land, non-depreciable improvements, and construction in progress	2,673,909	-	2,673,909
Buildings and improvements	31,077,089	-	31,077,089
Leasehold improvements	4,151,965	-	4,151,965
Furniture and equipment	941,319	25,777	967,096
Less accumulated depreciation	(21,782,501)	(24,317)	(21,806,818)
Total non-current assets, capital assets	17,061,781	1,460	17,063,241
Total assets	\$ 19,872,690	\$ 240,302	\$ 20,112,992
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 429,344	\$ 2,833	\$ 432,177
Accrued expenses	69,534	5,016	74,550
Unearned revenue	78,448	-	78,448
Customer deposits	107,261	-	107,261
Accrued vacation	55,247	4,876	60,123
Total current liabilities	739,834	12,725	752,559
Noncurrent liabilities			
Notes payable, HUD	465,630	-	465,630
Accrued vacation pay	82,871	11,377	94,248
Total noncurrent liabilities	548,501	11,377	559,878
Total liabilities	1,288,335	24,102	1,312,437
<u>Net Position</u>			
Net investment in capital assets	17,061,781	1,460	17,063,241
Unrestricted	1,522,574	214,740	1,737,314
Total net position	\$ 18,584,355	\$ 216,200	\$ 18,800,555

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

Housing Authority of the City of Lumberton
Statement of Revenues, Expenses and Changes in Net Position - All Funds
For The Year Ended March 31, 2013

	Major Funds		Total Funds
	Low Rent Public Housing Program	Housing Choice Voucher Program	
Operating revenues			
Dwelling rental	\$ 1,208,150	\$ -	\$ 1,208,150
Excess utilities	152,740	-	152,740
Operating subsidy-HUD	2,801,326	2,608,927	5,410,253
Capital fund grants	605,562	-	605,562
Other revenues	790,268	23,955	814,223
Total operating revenues	<u>5,558,046</u>	<u>2,632,882</u>	<u>8,190,928</u>
Operating expenses			
Administration	1,859,020	305,642	2,164,662
Asset management fees	87,480	-	87,480
Tenant services	148,952	-	148,952
Utilities	1,437,856	3,171	1,441,027
Ordinary maintenance	1,828,241	19,333	1,847,574
Protective services	20,003	-	20,003
Insurance	148,735	5,070	153,805
General expense	90,019	2,659	92,678
Housing assistance payments	-	2,460,635	2,460,635
Depreciation	900,029	422	900,451
Total operating expenses	<u>6,520,335</u>	<u>2,796,932</u>	<u>9,317,267</u>
Operating income (loss)	<u>(962,289)</u>	<u>(164,050)</u>	<u>(1,126,339)</u>
Nonoperating revenues (expenses)			
Special items payback to HUD	(465,630)	-	(465,630)
Interest expense	13,189	-	13,189
Nonoperating revenues (expenses)	<u>(452,441)</u>	<u>-</u>	<u>(452,441)</u>
Capital contributions	935,574	-	935,574
Change in Net Position	(479,156)	(164,050)	(643,206)
Net Position, beginning of year	<u>19,063,511</u>	<u>380,250</u>	<u>19,443,761</u>
Net Position, end of year	<u>\$ 18,584,355</u>	<u>\$ 216,200</u>	<u>\$ 18,800,555</u>

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

**Housing Authority of the City of Lumberton
Statement of Cash Flows - All Funds
For The Year Ended March 31, 2013**

	<u>Major Funds</u>		<u>Total Funds</u>
	<u>Low Rent Public Housing Program</u>	<u>Housing Choice Voucher Program</u>	
Cash flows from operating activities			
Cash received from tenants	\$ 1,370,277	\$ -	\$ 1,370,277
Cash paid for goods and services	(3,530,703)	(61,264)	(3,591,967)
Cash paid to employees	(1,758,690)	(270,321)	(2,029,011)
Operating grants and subsidies	3,719,473	223,164	3,942,637
Net cash provided (used) by operating activities	<u>(199,643)</u>	<u>(108,421)</u>	<u>(308,064)</u>
Cash flows from capital and related financing activities			
Capital grants	935,574	-	935,574
Acquisition of capital assets	<u>(1,159,741)</u>	<u>-</u>	<u>(1,159,741)</u>
Net cash provided (used) for capital and related financing activities	<u>(224,167)</u>	<u>-</u>	<u>(224,167)</u>
Cash flows from investing activities			
Interest on investments	13,189	-	13,189
Decrease in short term investments	<u>678,220</u>	<u>88,641</u>	<u>766,861</u>
Net cash provided (used) for capital and related financing activities	<u>691,409</u>	<u>88,641</u>	<u>780,050</u>
Net increase (decrease) in cash and cash equivalents	267,599	(19,780)	247,819
Cash and cash equivalents at beginning of year	<u>285,974</u>	<u>196,991</u>	<u>482,965</u>
Cash and cash equivalents at end of year	<u>\$ 553,573</u>	<u>\$ 177,211</u>	<u>\$ 730,784</u>

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

**Housing Authority of the City of Lumberton
Statement of Cash Flows - All Funds (continued)
For The Year Ended March 31, 2013**

	<u>Major Funds</u>		<u>Total Funds</u>
	<u>Low Rent Public Housing Program</u>	<u>Housing Choice Voucher Program</u>	
Reconciliation of operating loss to net cash used by operating activities			
Operating income (loss)	\$ (962,289)	\$ (164,050)	\$ (1,126,339)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation	900,029	422	900,451
(Increase) decrease in			
Tenant rents receivable	7,791	-	7,791
Other receivables	(488,652)	3,649	(485,003)
Accounts receivable U.S. Dept. of HUD	10,969	(2,495)	8,474
Inventory	(757)	-	(757)
Prepaid insurance	103	(413)	(310)
Internal activities	(49,763)	49,763	-
Increase (decrease) in			
Accounts payable and accrued liabilities	290,942	1,788	292,730
Customer deposits	1,596	-	1,596
Accrued vacation pay	11,940	2,915	14,855
Unearned revenues	78,448	-	78,448
Total	<u>762,646</u>	<u>55,629</u>	<u>818,275</u>
Net cash provided (used) by operating activities	<u>\$ (199,643)</u>	<u>\$ (108,421)</u>	<u>\$ (308,064)</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, 2013

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
Total	<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, 2013

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 \$26,858 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, 2013

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, 2013.

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, 2013**

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, 2013 consisted of operating subsidy payments earned as of March 31, 2013 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 insurance proceeds for casualty losses. These monies have been received, but the corresponding repair work has not been performed, as of March 31, 2013.

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 31st 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.

Housing Authority of the City of Lumberton
Notes to the Financial Statements (continued)
For the Fiscal Year Ended March 31, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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

Accrued Vacation Pay (continued)

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.

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

The Authority is reporting a deficit Net Position for Central Office Cost Center due to a payback due to HUD as explained in Note 3.

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 Executive Director and Finance Director left during February and March 2013, respectively. As a result of these personnel changes, the Authority was left without personnel with sufficient knowledge to recommend budget amendments to the Board of Directors. The Authority has addressed these shortcomings by hiring an Interim Executive Director and permanent Finance Director.

Housing Authority of the City of Lumberton
Notes to the Financial Statements (continued)
For the Fiscal Year Ended March 31, 2013

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, 2013, the Authority’s deposits had a carrying amount of \$730,184 and a bank balance of \$965,951. Of the bank balance, \$250,000 was covered by federal depository insurance and \$715,951 was covered by collateral held under the dedicated method. The Authority has \$600 cash on hand at March 31, 2013.

Investments

The Authority invests in accordance with HUD regulations and North Carolina Statutes. As of March 31, 2013, the Authority had a certificate of deposit in the amount of \$1,500,000. This certificate, which matures on October 17, 2013, will automatically renew.

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.

Due from U.S. Department of HUD

The following amounts were due from HUD at March 31, 2013:

	<u>NC014000001</u>	<u>NC014000002</u>	<u>NC014000003</u>	<u>Total</u>
Operating subsidies earned but not realized at year-end	\$90,767	\$71,503	\$81,709	\$243,979
Capital project grant expenses incurred but not paid at year-end	<u>29,478</u>	<u>124,062</u>	<u>148,601</u>	<u>302,141</u>
Total due from HUD	<u>\$120,245</u>	<u>\$195,565</u>	<u>\$230,310</u>	<u>\$546,120</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, 2013

Note 3 – Detailed Notes on All Funds (continued)

A. Assets (continued)

Capital Assets

Capital asset activity for the year ended March 31, 2013, 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	134,691	371,576	-	506,267
Total capital assets not being depreciated	<u>367,072</u>	<u>371,576</u>	<u>-</u>	<u>738,648</u>
Capital assets being depreciated				
Buildings	12,096,599	-	-	12,096,599
Leasehold improvements	1,481,625	-	-	1,481,625
Equipment and furniture	514,067	-	-	514,067
Total capital assets being depreciated	<u>14,092,291</u>	<u>-</u>	<u>-</u>	<u>14,092,291</u>
Less accumulated depreciation				
Buildings	(6,672,811)	(310,501)	-	(6,983,312)
Other improvements	(1,104,301)	(14,919)	-	(1,119,220)
Equipment and furniture	(447,040)	(23,865)	-	(470,905)
Total accumulated depreciation	<u>(8,224,152)</u>	<u>(349,285)</u>	<u>-</u>	<u>(8,573,437)</u>
Total capital assets being depreciated, net	<u>5,868,139</u>	<u>(349,285)</u>	<u>-</u>	<u>5,518,854</u>
Capital assets, net	<u>\$ 6,235,211</u>	<u>\$ 22,291</u>	<u>\$ -</u>	<u>\$ 6,257,502</u>

Housing Authority of the City of Lumberton
Notes to the Financial Statements (continued)
For the Fiscal Year Ended March 31, 2013

Note 3 – Detailed Notes on All Funds (continued)

A. Assets (continued)

Capital Assets (continued)

Low Rent Public Housing Program
NC014000002

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 116,391	\$ -	\$ -	\$ 116,391
Construction in progress	121,382	514,992	-	636,374
Total capital assets not being depreciated	<u>237,773</u>	<u>514,992</u>	<u>-</u>	<u>752,765</u>
Capital assets being depreciated				
Buildings	9,282,809	-	-	9,282,809
Leasehold improvements	917,866	-	-	917,866
Equipment and furniture	135,773	-	-	135,773
Total capital assets being depreciated	<u>10,336,448</u>	<u>-</u>	<u>-</u>	<u>10,336,448</u>
Less accumulated depreciation				
Buildings	(5,202,221)	(257,882)	-	(5,460,103)
Other improvements	(820,727)	(6,073)	-	(826,800)
Equipment and furniture	(78,308)	(21,549)	-	(99,857)
Total accumulated depreciation	<u>(6,101,256)</u>	<u>(285,504)</u>	<u>-</u>	<u>(6,386,760)</u>
Total capital assets being depreciated, net	<u>4,235,192</u>	<u>(285,504)</u>	<u>-</u>	<u>3,949,688</u>
Capital assets, net	<u>\$ 4,472,965</u>	<u>\$ 229,488</u>	<u>\$ -</u>	<u>\$ 4,702,453</u>

Housing Authority of the City of Lumberton
Notes to the Financial Statements (continued)
For the Fiscal Year Ended March 31, 2013

Note 3 – Detailed Notes on All Funds (continued)

A. Assets (continued)

Capital Assets (continued)

Low Rent Public Housing Program
NC014000003

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 18,767	\$ 11,000	\$ -	\$ 29,767
Construction in progress	890,556	262,173	-	1,152,729
Total capital assets not being depreciated	<u>909,323</u>	<u>273,173</u>	<u>-</u>	<u>1,182,496</u>
Capital assets being depreciated				
Buildings	9,697,681	-	-	9,697,681
Leasehold improvements	1,752,474	-	-	1,752,474
Equipment and furniture	139,534	-	-	139,534
Total capital assets being depreciated	<u>11,589,689</u>	<u>-</u>	<u>-</u>	<u>11,589,689</u>
Less accumulated depreciation				
Buildings	(5,423,375)	(216,627)	-	(5,640,002)
Other improvements	(900,295)	(22,819)	-	(923,114)
Equipment and furniture	(99,467)	(15,105)	-	(114,572)
Total accumulated depreciation	<u>(6,423,137)</u>	<u>(254,551)</u>	<u>-</u>	<u>(6,677,688)</u>
Total capital assets being depreciated, net	<u>5,166,552</u>	<u>(254,551)</u>	<u>-</u>	<u>4,912,001</u>
Capital assets, net	<u>\$ 6,075,875</u>	<u>\$ 18,622</u>	<u>\$ -</u>	<u>\$ 6,094,497</u>

Housing Authority of the City of Lumberton
Notes to the Financial Statements (continued)
For the Fiscal Year Ended March 31, 2013

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 being depreciated				
Equipment and furniture	\$ 151,945	\$ -	\$ -	\$ 151,945
Total capital assets being depreciated	<u>151,945</u>	<u>-</u>	<u>-</u>	<u>151,945</u>
Less accumulated depreciation				
Equipment and furniture	(133,927)	(10,689)	-	(144,616)
Total accumulated depreciation	<u>(133,927)</u>	<u>(10,689)</u>	<u>-</u>	<u>(144,616)</u>
Total capital assets being depreciated, net	<u>18,018</u>	<u>(10,689)</u>	<u>-</u>	<u>7,329</u>
Capital assets, net	<u>\$ 18,018</u>	<u>\$ (10,689)</u>	<u>\$ -</u>	<u>\$ 7,329</u>

Low Rent Public Housing Program
Total capital assets

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 367,539	\$ 11,000	\$ -	\$ 378,539
Construction in progress	1,146,629	1,148,741	-	2,295,370
Total capital assets not being depreciated	<u>1,514,168</u>	<u>1,159,741</u>	<u>-</u>	<u>2,673,909</u>
Capital assets being depreciated				
Buildings	31,077,089	-	-	31,077,089
Leasehold improvements	4,151,965	-	-	4,151,965
Equipment and furniture	941,319	-	-	941,319
Total capital assets being depreciated	<u>36,170,373</u>	<u>-</u>	<u>-</u>	<u>36,170,373</u>
Less accumulated depreciation				
Buildings	(17,298,407)	(785,010)	-	(18,083,417)
Other improvements	(2,825,323)	(43,811)	-	(2,869,134)
Equipment and furniture	(758,742)	(71,208)	-	(829,950)
Total accumulated depreciation	<u>(20,882,472)</u>	<u>(900,029)</u>	<u>-</u>	<u>(21,782,501)</u>
Total capital assets being depreciated, net	<u>15,287,901</u>	<u>(900,029)</u>	<u>-</u>	<u>14,387,872</u>
Capital assets, net	<u>\$ 16,802,069</u>	<u>\$ 259,712</u>	<u>\$ -</u>	<u>\$ 17,061,781</u>

Housing Authority of the City of Lumberton
Notes to the Financial Statements (continued)
For the Fiscal Year Ended March 31, 2013

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
Total capital assets being depreciated	<u>25,777</u>	<u>-</u>	<u>-</u>	<u>25,777</u>
Less accumulated depreciation				
Equipment and furniture	(23,895)	(422)	-	(24,317)
Total accumulated depreciation	<u>(23,895)</u>	<u>(422)</u>	<u>-</u>	<u>(24,317)</u>
Total capital assets being depreciated, net	<u>1,882</u>	<u>(422)</u>	<u>-</u>	<u>1,460</u>
Capital assets, net	<u>\$ 1,882</u>	<u>\$ (422)</u>	<u>\$ -</u>	<u>\$ 1,460</u>

All Funds

Total capital assets

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 367,539	\$ 11,000	\$ -	\$ 378,539
Construction in progress	1,146,629	1,148,741	-	2,295,370
Total capital assets not being depreciated	<u>1,514,168</u>	<u>1,159,741</u>	<u>-</u>	<u>2,673,909</u>
Capital assets being depreciated				
Buildings	31,077,089	-	-	31,077,089
Leasehold improvements	4,151,965	-	-	4,151,965
Equipment and furniture	967,096	-	-	967,096
Total capital assets being depreciated	<u>36,196,150</u>	<u>-</u>	<u>-</u>	<u>36,196,150</u>
Less accumulated depreciation				
Buildings	(17,298,407)	(785,010)	-	(18,083,417)
Other improvements	(2,825,323)	(43,811)	-	(2,869,134)
Equipment and furniture	(782,637)	(71,630)	-	(854,267)
Total accumulated depreciation	<u>(20,906,367)</u>	<u>(900,451)</u>	<u>-</u>	<u>(21,806,818)</u>
Total capital assets being depreciated, net	<u>15,289,783</u>	<u>(900,451)</u>	<u>-</u>	<u>14,389,332</u>
Capital assets, net	<u>\$ 16,803,951</u>	<u>\$ 259,290</u>	<u>\$ -</u>	<u>\$ 17,063,241</u>

**Housing Authority of the City of Lumberton
Notes to the Financial Statements (continued)
For the Fiscal Year Ended March 31, 2013**

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.

Long Term Debt

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 Authority should repay \$321,630 to HUD.

In early 2013, HUD conducted another on-site management review. HUD questioned approximately \$160,000 in costs paid by federal monies. Management anticipates that approximately \$144,000 (90%) of these questioned costs will not be supported by existing documentation.

As a result of the 2012 HUD management review, the Authority has entered into an agreement on December 16, 2013, to pay back \$321,630 in 10 annual installments beginning March 31, 2015, interest at 0%. \$ 321,630

As a result of the 2013 HUD management review, it is expected the remaining \$144,000 will be paid back under similar requirements as the 2012 management review although that agreement has not been reached. As a result of this uncertainty, the entire amount is shown as long term with a maturity in the fiscal year ending March 31, 2015, interest at 0%. 144,000

Total long term debt \$ 465,630

Annual debt service payments as of March 31, 2013 are as follows:

Year Ending March 31	2012 HUD Management Review	2013 HUD Management Review	Total
2014	\$ -	\$ -	\$ -
2015	43,152	144,000	187,152
2016	30,942	-	30,942
2017	30,942	-	30,942
2018	30,942	-	30,942
2019	30,942	-	30,942
2020-2024	154,710	-	154,710
	<u>\$ 321,630</u>	<u>\$ 144,000</u>	<u>\$ 465,630</u>

Housing Authority of the City of Lumberton
Notes to the Financial Statements (continued)
For the Fiscal Year Ended March 31, 2013

Note 3 – Detailed Notes on All Funds (continued)

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 Housing Choice Voucher Program owed the Central Operations Cost Center \$48,767 March 31, 2013.

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.

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, 2013.

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 September 30, 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.

Supplemental Information

Housing Authority of the City of Lumberton
Combining Schedule of Net Position
Low Rent Public Housing Program
March 31, 2013

	<u>Low Rent Public Housing Program</u>			<u>Central Office</u>	<u>Total Low Rent Public Housing Program</u>
	<u>NC014000001</u>	<u>NC014000002</u>	<u>NC014000003</u>	<u>Cost Center</u>	
<u>Assets</u>					
Current assets					
Cash and cash equivalents	\$ 236,531	\$ 126,639	\$ 156,095	\$ 34,308	\$ 553,573
Short-term investments	530,035	323,322	265,018	278,931	1,397,306
Accounts receivable-HUD	120,245	195,565	230,310	-	546,120
Accounts receivable-Other	4,714	8,142	6,318	7,647	26,821
Supplies Inventories	-	-	-	115,782	115,782
Internal activities	-	-	(11,000)	59,767	48,767
Prepaid items	50,487	37,152	26,656	8,245	122,540
Total current assets	942,012	690,820	673,397	504,680	2,810,909
Non-current assets, capital assets					
Land, construction in progress, non-depreciable improvements	738,648	752,765	1,182,496	-	2,673,909
Buildings and improvements	12,096,599	9,282,809	9,697,681	-	31,077,089
Leasehold improvements	1,481,625	917,866	1,752,474	-	4,151,965
Furniture and equipment	514,067	135,773	139,534	151,945	941,319
Less accumulated depreciation	(8,573,437)	(6,386,760)	(6,677,688)	(144,616)	(21,782,501)
Total non-current assets	6,257,502	4,702,453	6,094,497	7,329	17,061,781
Total assets	\$7,199,514	\$5,393,273	\$6,767,894	\$ 512,009	\$19,872,690
<u>Liabilities</u>					
Current liabilities					
Accounts payable	\$ 70,960	\$ 153,399	\$ 204,883	\$ 102	\$ 429,344
Accrued expenses	4,885	4,250	5,355	55,044	69,534
Unearned revenue	28,802	10,170	39,476	-	78,448
Customer deposits	45,472	30,966	30,823	-	107,261
Accrued vacation	8,994	10,172	15,550	20,531	55,247
Total current liabilities	159,113	208,957	296,087	75,677	739,834
Noncurrent liabilities					
Notes payable, HUD	-	-	-	465,630	465,630
Accrued vacation pay	13,490	15,259	23,324	30,798	82,871
Total noncurrent liabilities	13,490	15,259	23,324	496,428	548,501
Total liabilities	172,603	224,216	319,411	572,105	1,288,335
<u>Net Position</u>					
Net investment in capital assets	6,257,502	4,702,453	6,094,497	7,329	17,061,781
Unrestricted	769,409	466,604	353,986	(67,425)	1,522,574
Total net position	\$7,026,911	\$5,169,057	\$6,448,483	\$ (60,096)	\$18,584,355

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, 2013

	<u>Low Rent Public Housing Program</u>			<u>Central Office Cost Center</u>	<u>Total Low Rent Public Housing Program</u>
	<u>NC014000001</u>	<u>NC014000002</u>	<u>NC014000003</u>		
Operating revenues					
Dwelling rental	\$ 580,179	\$ 266,981	\$ 360,990	\$ -	\$ 1,208,150
Excess utilities	49,239	43,718	59,783	-	152,740
Operating subsidy-HUD	976,808	893,152	931,366	-	2,801,326
Capital fund grants	150,100	211,123	244,339	-	605,562
Other revenues	20,112	18,527	21,194	730,435	790,268
Total operating revenues	<u>1,776,438</u>	<u>1,433,501</u>	<u>1,617,672</u>	<u>730,435</u>	<u>5,558,046</u>
Operating expenses					
Administration	453,538	379,210	402,747	623,525	1,859,020
Asset management fees	33,840	26,880	26,760	-	87,480
Tenant services	39,385	39,122	39,401	31,044	148,952
Utilities	524,580	383,317	522,899	7,060	1,437,856
Ordinary maintenance	625,394	580,619	558,299	63,929	1,828,241
Protective services	9,367	2,981	5,107	2,548	20,003
Insurance	55,318	43,092	44,076	6,249	148,735
General expense	20,520	32,684	36,815	-	90,019
Depreciation	349,285	285,504	254,551	10,689	900,029
Total operating expenses	<u>2,111,227</u>	<u>1,773,409</u>	<u>1,890,655</u>	<u>745,044</u>	<u>6,520,335</u>
Operating income (loss)	<u>(334,789)</u>	<u>(339,908)</u>	<u>(272,983)</u>	<u>(14,609)</u>	<u>(962,289)</u>
Nonoperating revenues (expenses)					
Special items payback to HUD	-	-	-	(465,630)	(465,630)
Interest income	4,986	3,494	3,509	1,200	13,189
Nonoperating revenues (expenses)	<u>4,986</u>	<u>3,494</u>	<u>3,509</u>	<u>(464,430)</u>	<u>(452,441)</u>
Capital contributions	<u>369,843</u>	<u>435,171</u>	<u>130,560</u>	<u>-</u>	<u>935,574</u>
Change in Net Position	<u>40,040</u>	<u>98,757</u>	<u>(138,914)</u>	<u>(479,039)</u>	<u>(479,156)</u>
Net Position					
Beginning of year (restated)	<u>6,986,871</u>	<u>5,070,300</u>	<u>6,587,397</u>	<u>418,943</u>	<u>19,063,511</u>
End of year	<u>\$7,026,911</u>	<u>\$5,169,057</u>	<u>\$6,448,483</u>	<u>\$ (60,096)</u>	<u>\$18,584,355</u>

**Housing Authority of the City of Lumberton
Combining Schedule of Cash Flows
Low Rent Public Housing Program
For The Year Ended March 31, 2013**

	<u>Low Rent Public Housing Program</u>			<u>Central Office Cost Center</u>	<u>Total Low Rent Public Housing Program</u>
	<u>NC014000001</u>	<u>NC014000002</u>	<u>NC014000003</u>		
Cash flows from operating activities					
Cash received from tenants	\$ 629,414	\$ 314,426	\$ 426,437	\$ -	\$ 1,370,277
Cash paid for goods and services	(1,300,618)	(1,005,763)	(1,082,375)	(141,947)	(3,530,703)
Cash paid to employees	(422,314)	(357,170)	(384,516)	(594,690)	(1,758,690)
Operating grants and subsidies	1,032,753	926,917	1,026,039	733,764	3,719,473
Net cash provided (used) by operating activities	<u>(60,765)</u>	<u>(121,590)</u>	<u>(14,415)</u>	<u>(2,873)</u>	<u>(199,643)</u>
Cash flows from capital and related financing activities					
Capital grants	369,843	435,171	130,560	-	935,574
Acquisition of capital assets	<u>(371,576)</u>	<u>(514,992)</u>	<u>(273,173)</u>	<u>-</u>	<u>(1,159,741)</u>
Net cash provided (used) for capital and related financing activities	<u>(1,733)</u>	<u>(79,821)</u>	<u>(142,613)</u>	<u>-</u>	<u>(224,167)</u>
Cash flows from investing activities					
Interest on investments	4,986	3,494	3,509	1,200	13,189
(Increase) decrease - investments	<u>259,779</u>	<u>245,027</u>	<u>277,973</u>	<u>(104,559)</u>	<u>678,220</u>
Net cash provided (used) for investing activities	<u>264,765</u>	<u>248,521</u>	<u>281,482</u>	<u>(103,359)</u>	<u>691,409</u>
Net increase in cash and cash equivalents	202,267	47,110	124,454	(106,232)	267,599
Cash and cash equivalents Beginning of year	<u>34,264</u>	<u>79,529</u>	<u>31,641</u>	<u>140,540</u>	<u>285,974</u>
End of year	<u>\$ 236,531</u>	<u>\$ 126,639</u>	<u>\$ 156,095</u>	<u>\$ 34,308</u>	<u>\$ 553,573</u>

Housing Authority of the City of Lumberton
Combining Schedule of Cash Flows (continued)
Low Rent Public Housing Program
For The Year Ended March 31, 2013

	<u>Low Rent Public Housing Program</u>			<u>Central Office Cost Center</u>	<u>Total Low Rent Public Housing Program</u>
	<u>NC014000001</u>	<u>NC014000002</u>	<u>NC014000003</u>		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	<u>\$ (334,789)</u>	<u>\$ (339,908)</u>	<u>\$ (272,983)</u>	<u>\$ (14,609)</u>	<u>\$ (962,289)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	349,285	285,504	254,551	10,689	900,029
(Increase) decrease in					
Tenant rents receivable	1,522	3,309	2,960		7,791
Accounts receivable HUD	(120,245)	(195,565)	(172,842)		(488,652)
Other receivables	5,978	(320)	1,982	3,329	10,969
Inventory				(757)	(757)
Prepaid insurance	(7,781)	(3,550)	6,913	4,521	103
Internal activities	433	208	(38,487)	(11,917)	(49,763)
Increase (decrease) in					
Accounts payable and accrued liabilities	21,654	115,003	155,741	(1,456)	290,942
Customer deposits	(1,526)	418	2,704		1,596
Accrued vacation pay	(4,098)	3,141	5,570	7,327	11,940
Unearned revenues	28,802	10,170	39,476	-	78,448
Total	<u>274,024</u>	<u>218,318</u>	<u>258,568</u>	<u>11,736</u>	<u>762,646</u>
Net cash provided (used) by operating activities	<u>\$ (60,765)</u>	<u>\$ (121,590)</u>	<u>\$ (14,415)</u>	<u>\$ (2,873)</u>	<u>\$ (199,643)</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues			
Dwelling rental		\$ 580,179	
Excess utilities		49,239	
Operating subsidy - HUD		976,808	
Capital fund grants		150,100	
Other revenues		20,112	
Total operating revenues	<u>1,680,926</u>	<u>1,776,438</u>	<u>95,512</u>
Operating expenditures			
Administration			
Property management fees		165,116	
Salaries and employee benefits		170,288	
Bookkeeping fees		24,210	
Supplies		14,628	
Travel		6,161	
Professional fees		4,034	
Other administrative expenses		73,199	
Total administration	<u>384,208</u>	<u>457,636</u>	<u>(73,428)</u>
Asset management fees	<u>33,840</u>	<u>33,840</u>	<u>-</u>
Tenant services			
Contracted services		30,130	
Other expenses		9,255	
Total tenant services	<u>38,873</u>	<u>39,385</u>	<u>(512)</u>
Utilities			
Gas		23,112	
Electricity		378,294	
Water & Sewer		113,039	
Other utilities		10,135	
Total utilities	<u>632,975</u>	<u>524,580</u>	<u>108,395</u>
Ordinary maintenance			
Salaries and employee benefits		221,896	
Materials		103,140	
Contracted service		300,358	
Total ordinary maintenance	<u>562,936</u>	<u>625,394</u>	<u>(62,458)</u>
Protective Services			
Contracted services		9,367	
Total protective services	<u>11,130</u>	<u>9,367</u>	<u>1,763</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating expenditures (continued)			
Insurance	\$ 68,211	\$ 55,318	\$ 12,893
General expense			
Collection losses		19,082	
Other general expenses		1,438	
Total general expense	<u>19,784</u>	<u>20,520</u>	<u>(736)</u>
Total operating expenditures	<u>1,751,957</u>	<u>1,766,040</u>	<u>(14,083)</u>
Net operating income (loss)	<u>(71,031)</u>	<u>10,398</u>	<u>81,429</u>
Other revenues (expenditures)			
Capital contributions		369,843	
Interest income		4,986	
Total other revenues (expenditures)	<u>22,602</u>	<u>374,829</u>	<u>(352,227)</u>
Revenue over (under) expenditures	\$ (48,429)	\$ 385,227	\$ 433,656
Appropriated fund balance	<u>48,429</u>	<u>-</u>	<u>48,429</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 385,227</u>	<u>\$ 385,227</u>

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

Revenue over (under) expenditures	\$ 385,227
Depreciation expense	(349,285)
(Increase) decrease in accrued annual leave	4,098
Change in net position - full accrual basis	<u>\$ 40,040</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues			
Dwelling rental		\$ 266,981	
Excess utilities		43,718	
Operating subsidy - HUD		646,294	
Capital fund grants		457,981	
Other revenues		18,527	
Total operating revenues	<u>1,355,772</u>	<u>1,433,501</u>	<u>77,729</u>
Operating expenditures			
Administration			
Property management fees		129,970	
Salaries and employee benefits		141,658	
Bookkeeping fees		19,058	
Supplies		11,463	
Travel		3,538	
Professional fees		1,675	
Other administrative expenses		68,707	
Total administration	<u>331,679</u>	<u>376,069</u>	<u>(44,390)</u>
Asset management fees	<u>26,880</u>	<u>26,880</u>	<u>-</u>
Tenant services			
Contracted services		29,295	
Other expenses		9,827	
Total tenant services	<u>41,028</u>	<u>39,122</u>	<u>1,906</u>
Utilities			
Gas		339	
Electricity		296,129	
Water & Sewer		81,282	
Other utilities		5,567	
Total utilities	<u>439,148</u>	<u>383,317</u>	<u>55,831</u>
Ordinary maintenance			
Salaries and employee benefits		186,217	
Materials		99,990	
Contracted service		294,412	
Total ordinary maintenance	<u>512,602</u>	<u>580,619</u>	<u>(68,017)</u>
Protective Services			
Contracted services		2,981	
Total protective services	<u>1,920</u>	<u>2,981</u>	<u>(1,061)</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating expenditures (continued)			
Insurance	\$ 62,142	\$ 43,092	\$ 19,050
General expense			
Collection losses		32,519	
Other general expenses		165	
Total general expense	<u>15,106</u>	<u>32,684</u>	<u>(17,578)</u>
Total operating expenditures	<u>1,430,505</u>	<u>1,484,764</u>	<u>(54,259)</u>
Net operating income (loss)	<u>(74,733)</u>	<u>(51,263)</u>	<u>23,470</u>
Other revenues (expenditures)			
Capital contributions		435,171	
Interest income		3,494	
Total other revenues (expenditures)	<u>16,563</u>	<u>438,665</u>	<u>(422,102)</u>
Revenue over (under) expenditures	(58,170)	387,402	445,572
Appropriated fund balance	<u>58,170</u>	<u>-</u>	<u>58,170</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 387,402</u>	<u>\$ 387,402</u>
Reconciliation of modified accrual basis net income to full accrual basis net income			
Revenue over (under) expenditures		\$ 387,402	
Depreciation expense		(285,504)	
(Increase) decrease in accrued annual leave		<u>(3,141)</u>	
Change in net position - full accrual basis		<u>\$ 98,757</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues			
Dwelling rental		\$ 360,990	
Excess utilities		59,783	
Operating subsidy - HUD		931,366	
Capital fund grants		244,339	
Other revenues		21,194	
Total operating revenues	<u>1,397,289</u>	<u>1,617,672</u>	<u>220,383</u>
Operating expenditures			
Administration			
Property management fees		130,794	
Salaries and employee benefits		159,627	
Bookkeeping fees		19,178	
Supplies		11,738	
Travel		3,385	
Professional fees		3,208	
Other administrative expenses		69,247	
Total administration	<u>400,178</u>	<u>397,177</u>	<u>3,001</u>
Asset management fees	<u>26,760</u>	<u>26,760</u>	<u>-</u>
Tenant services			
Contracted services		29,763	
Other expenses		9,638	
Total tenant services	<u>42,094</u>	<u>39,401</u>	<u>2,693</u>
Utilities			
Gas		38,963	
Electricity		346,696	
Water & Sewer		127,225	
Other utilities		10,015	
Total utilities	<u>512,925</u>	<u>522,899</u>	<u>(9,974)</u>
Ordinary maintenance			
Salaries and employee benefits		195,126	
Materials		82,245	
Contracted service		280,928	
Total ordinary maintenance	<u>475,507</u>	<u>558,299</u>	<u>(82,792)</u>
Protective Services			
Contracted services		5,107	
Total protective services	<u>420</u>	<u>5,107</u>	<u>(4,687)</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating expenditures (continued)			
Insurance	<u>59,034</u>	<u>44,076</u>	<u>14,958</u>
General expense			
Collection losses		31,445	
Other general expenses		5,370	
Total general expense	<u>14,601</u>	<u>36,815</u>	<u>(22,214)</u>
Total operating expenditures	<u>1,531,519</u>	<u>1,630,534</u>	<u>(99,015)</u>
Net operating income (loss)	<u>(134,230)</u>	<u>(12,862)</u>	<u>121,368</u>
Other revenues (expenditures)			
Capital contributions		130,560	
Interest income		3,509	
Total other revenues (expenditures)	<u>17,568</u>	<u>134,069</u>	<u>(116,501)</u>
Revenue over (under) expenditures	(116,662)	121,207	237,869
Appropriated fund balance	<u>116,662</u>	<u>-</u>	<u>116,662</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 121,207</u>	<u>\$ 121,207</u>

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

Revenue over (under) expenditures	\$ 121,207
Depreciation expense	(254,551)
(Increase) decrease in accrued annual leave	<u>(5,570)</u>
Change in net position - full accrual basis	<u>\$ (138,914)</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues	<u>681,807</u>	<u>730,435</u>	<u>48,628</u>
Operating expenditures			
Administration			
Salaries and employee benefits		563,646	
Staff training		7,250	
Supplies		29,171	
Travel		8,359	
Professional fees		7,772	
Total administration	<u>635,872</u>	<u>616,198</u>	<u>19,674</u>
Tenant services			
Contracted services		31,044	
Total tenant services	<u>-</u>	<u>31,044</u>	<u>(31,044)</u>
Utilities			
Gas		734	
Electricity		5,704	
Water & Sewer		622	
Total utilities	<u>12,380</u>	<u>7,060</u>	<u>5,320</u>
Ordinary maintenance			
Materials		14,791	
Contracted service		49,138	
Total ordinary maintenance	<u>25,000</u>	<u>63,929</u>	<u>(38,929)</u>
Protective Services			
Contracted services		2,548	
Total protective services	<u>1,260</u>	<u>2,548</u>	<u>(1,288)</u>
Insurance	<u>10,750</u>	<u>6,249</u>	
Total operating expenditures	<u>685,262</u>	<u>727,028</u>	<u>(41,766)</u>
Net operating income (loss)	<u>(3,455)</u>	<u>3,407</u>	<u>6,862</u>
Other revenues (expenditures)			
Interest income	<u>-</u>	<u>1,200</u>	<u>1,200</u>
Revenue over (under) expenditures	<u>(3,455)</u>	<u>4,607</u>	<u>8,062</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue over (under) expenditures	\$ (3,455)	\$ 4,607	\$ 8,062
Appropriated fund balance	<u>3,455</u>	<u>-</u>	<u>3,455</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,607</u>	<u>\$ 4,607</u>

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

Revenue over (under) expenditures	\$ 4,607
Depreciation expense	(10,689)
Increase in payback to HUD reported as long term debt	(465,630)
(Increase) decrease in accrued annual leave	<u>(7,327)</u>
Change in net position - full accrual basis	<u>\$ (479,039)</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues			
Operating subsidy - HUD		2,608,927	
Other revenues		23,955	
Total operating revenues	<u>2,780,635</u>	<u>2,632,882</u>	<u>(147,753)</u>
Operating expenditures			
Administration			
Salaries and employee benefits		270,321	
Supplies		12,520	
Professional fees		3,928	
Other expenses		15,959	
Total administration	<u>296,585</u>	<u>302,728</u>	<u>(6,143)</u>
Utilities			
Gas		330	
Electricity		2,561	
Water & Sewer		180	
Other utilities		100	
Total utilities	<u>1,450</u>	<u>3,171</u>	<u>(1,721)</u>
Ordinary maintenance			
Materials		4,711	
Contracted services		14,622	
Total ordinary maintenance	<u>15,400</u>	<u>19,333</u>	<u>(3,933)</u>
Insurance	<u>11,500</u>	<u>5,070</u>	<u>6,430</u>
General expense			
Other general expenses		2,659	
Total general expense	<u>1,610</u>	<u>2,659</u>	<u>(1,049)</u>
Housing assistance payments	<u>2,460,635</u>	<u>2,460,635</u>	<u>-</u>
Total operating expenditures	<u>2,787,180</u>	<u>2,793,596</u>	<u>(6,416)</u>
Net operating income (loss)	<u>(6,545)</u>	<u>(160,714)</u>	<u>(154,169)</u>
Nonoperating revenue (expenditures)			
Interest income	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Revenue over (under) expenditures	<u>\$ (5,545)</u>	<u>\$ (160,714)</u>	<u>\$ (155,169)</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue over (under) expenditures	\$ (5,545)	\$ (160,714)	\$ (155,169)
Appropriated fund balance	5,545	-	5,545
Net change in fund balance	<u>\$ -</u>	<u>\$ (160,714)</u>	<u>\$ (160,714)</u>

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

Revenue over (under) expenditures	\$ (160,714)
Depreciation	(422)
(Increase) decrease in accrued annual leave	(2,914)
Change in net position - full accrual basis	<u>\$ (164,050)</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, 2013

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

Construction in progress

	<u>NC014000001</u>	<u>NC014000002</u>	<u>NC014000003</u>	Central Office <u>Cost Center</u>	<u>Total</u>
ACC # NC19P014501-09	\$ 1,060	\$ 1,052	\$ 97,164	\$ -	\$ 99,276
ACC # NC19P014501-10	163,239	185,340	31,922	-	380,501
ACC # NC19P014501-11	106,876	247,322	-	-	354,198
ACC # NC19P014501-12	98,667	1,458	1,473	-	101,598
Total	<u>\$ 369,842</u>	<u>\$ 435,172</u>	<u>\$ 130,559</u>	<u>-</u>	<u>\$ 935,573</u>

Administrative and contract costs

	<u>NC014000001</u>	<u>NC014000002</u>	<u>NC014000003</u>	Central Office <u>Cost Center</u>	<u>Total</u>
ACC # NC19P014501-09	\$ 24,151	\$ 18,167	\$ 18,529	\$ -	\$ 60,847
ACC # NC19P014501-10	68,422	62,519	63,175	-	194,116
ACC # NC19P014501-11	1,721	1,324	1,368	-	4,413
ACC # NC19P014501-12	3,920	6,030	6,030	-	15,980
Total	<u>\$ 98,214</u>	<u>\$ 88,040</u>	<u>\$ 89,102</u>	<u>-</u>	<u>\$ 275,356</u>

Housing Authority of the City of Lumberton
Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)
Capital Fund Program
ACC # NC19P014501-09
From Inception and For The Year Ended March 31, 2013

	Project Budget	Prior Years	Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues					
HUD Capital Grants	\$1,306,022	\$1,145,899	\$ 160,123	\$1,306,022	\$ -
Expenditures					
Building improvements	883,265	787,031	96,234	883,265	-
Purchase of equipment	71,193	68,151	3,042	71,193	-
Administrative and contract costs	351,564	290,717	60,847	351,564	-
Total expenditures	1,306,022	1,145,899	160,123	1,306,022	-
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

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

	NC014000001	NC014000002	NC014000003	Central Office Cost Center	Total
Construction in progress	\$ 1,060	\$ 1,052	\$ 97,164	\$ -	\$ 99,276
Administrative and contract costs	24,151	18,167	18,529	-	60,847
Total	\$ 25,211	\$ 19,219	\$ 115,693	-	\$ 160,123

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, 2013

	<u>Project Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
HUD Capital Grants	<u>\$1,303,946</u>	<u>\$ 458,078</u>	<u>\$ 574,617</u>	<u>\$1,032,695</u>	<u>\$ (271,251)</u>
Expenditures					
Building improvements	786,755	210,650	378,484	589,134	197,621
Purchase of equipment	43,752	41,735	2,017	43,752	-
Administrative and contract costs	<u>473,439</u>	<u>205,693</u>	<u>194,116</u>	<u>399,809</u>	<u>73,630</u>
Total expenditures	<u>1,303,946</u>	<u>458,078</u>	<u>574,617</u>	<u>1,032,695</u>	<u>271,251</u>
Revenues over expenditures	<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>NC014000001</u>	<u>NC014000002</u>	<u>NC014000003</u>	<u>Central Office Cost Center</u>	<u>Total</u>
Construction in progress	<u>\$ 163,239</u>	<u>\$ 185,340</u>	<u>\$ 31,922</u>	<u>\$ -</u>	<u>\$ 380,501</u>
Administrative and contract costs	<u>68,422</u>	<u>62,519</u>	<u>63,175</u>	<u>-</u>	<u>194,116</u>
Total	<u>\$ 231,661</u>	<u>\$ 247,859</u>	<u>\$ 95,097</u>	<u>-</u>	<u>\$ 574,617</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, 2013

	<u>Project Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
HUD Capital Grants	<u>\$1,112,500</u>	<u>\$ 17,166</u>	<u>\$ 358,611</u>	<u>\$ 375,777</u>	<u>\$ (736,723)</u>
Expenditures					
Building improvements	711,142	12,675	354,198	366,873	344,269
Purchase of equipment	45,015	4,491	-	4,491	40,524
Administrative and contract costs	<u>356,343</u>		<u>4,413</u>	<u>4,413</u>	<u>351,930</u>
Total expenditures	<u>1,112,500</u>	<u>17,166</u>	<u>358,611</u>	<u>375,777</u>	<u>736,723</u>
Revenues over expenditures	<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>NC014000001</u>	<u>NC014000002</u>	<u>NC014000003</u>	<u>Central Office Cost Center</u>	<u>Total</u>
Construction in progress	<u>\$ 106,876</u>	<u>\$ 247,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,198</u>
Administrative and contract costs	<u>1,721</u>	<u>1,324</u>	<u>1,368</u>	<u>-</u>	<u>4,413</u>
Total	<u>\$ 108,597</u>	<u>\$ 248,646</u>	<u>\$ 1,368</u>	<u>-</u>	<u>\$ 358,611</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, 2013

	<u>Project Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
HUD Capital Grants	<u>\$ 989,817</u>	<u>\$ -</u>	<u>\$ 117,578</u>	<u>\$ 117,578</u>	<u>\$ (872,239)</u>
Expenditures					
Building improvements	517,255	-	96,569	96,569	420,686
Purchase of equipment	45,015	-	5,029	5,029	39,986
Administrative and contract costs	<u>427,547</u>		<u>15,980</u>	<u>15,980</u>	<u>411,567</u>
Total expenditures	<u>989,817</u>	<u>-</u>	<u>117,578</u>	<u>117,578</u>	<u>872,239</u>
Revenues over expenditures	<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>NC014000001</u>	<u>NC014000002</u>	<u>NC014000003</u>	<u>Central Office Cost Center</u>	<u>Total</u>
Construction in progress	<u>\$ 98,667</u>	<u>\$ 1,458</u>	<u>\$ 1,473</u>	<u>\$ -</u>	<u>\$ 101,598</u>
Administrative and contract costs	<u>3,920</u>	<u>6,030</u>	<u>6,030</u>	<u>-</u>	<u>15,980</u>
Total	<u>\$ 102,587</u>	<u>\$ 7,488</u>	<u>\$ 7,503</u>	<u>-</u>	<u>\$ 117,578</u>

Housing Authority of the City of Lumberton
Statement and Certification of Actual Modernization Costs
Capital Fund Program
Annual Contributions Contract NC19P014501-09
For The Year Ended March 31, 2013

1. The actual modernization costs of Contract NC19P014501-09 are as follows:

	<u>Project</u>	<u>Total</u>
Funds approved	\$ 1,306,022	\$ 1,306,022
Funds expended	<u>1,306,022</u>	<u>1,306,022</u>
 Excess (deficiency) of funds approved	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>
 Funds advanced HUD grants	 \$ 1,306,022	 \$ 1,306,022
Funds expended	<u>1,306,022</u>	<u>1,306,022</u>
 Excess (deficiency) of funds advanced	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

2. Costs audited during the current audit period totaled \$160,123.
3. All costs have been paid and all related liabilities have been discharged through payment.
4. The Actual Modernization Cost Certificate, filed with HUD is in agreement with the Authority's records.

**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, 2013**

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

	<u>Project</u>	<u>Total</u>
Funds approved	\$ 1,032,695	\$ 1,303,946
Funds expended	<u>1,032,695</u>	<u>1,303,946</u>
 Excess (deficiency) of funds approved	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>
 Funds advanced HUD grants	 \$ 1,032,695	 \$ 1,032,695
Funds expended	<u>1,032,695</u>	<u>1,032,695</u>
 Excess (deficiency) of funds advanced	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

2. Costs audited during the current audit period totaled \$574,617.

**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, 2013**

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

	<u>Project</u>	<u>Total</u>
Funds approved	\$ 375,777	\$ 1,112,500
Funds expended	<u>375,777</u>	<u>1,112,500</u>
 Excess (deficiency) of funds approved	 <u>\$ -</u>	 <u>\$ -</u>
 Funds advanced HUD grants	 \$ 375,777	 \$ 375,777
Funds expended	<u>375,777</u>	<u>375,777</u>
 Excess (deficiency) of funds advanced	 <u>\$ -</u>	 <u>\$ -</u>

2. Costs audited during the current audit period totaled \$358,611.

**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, 2013**

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

	<u>Project</u>	<u>Total</u>
Funds approved	\$ 117,578	\$ 989,817
Funds expended	<u>117,578</u>	<u>989,817</u>
 Excess (deficiency) of funds approved	 <u>\$ -</u>	 <u>\$ -</u>
 Funds advanced HUD grants	 \$ 117,578	 \$ 117,578
Funds expended	<u>117,578</u>	<u>117,578</u>
 Excess (deficiency) of funds advanced	 <u>\$ -</u>	 <u>\$ -</u>

2. Costs audited during the current audit period totaled \$117,578.

**Housing Authority of the City of Lumberton
Schedule of Expenditures of Federal and State Awards
For The Year Ended March 31, 2013**

Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Expenditures
Federal grants:		
US Department of Housing and Urban Development		
Housing Choice Voucher	14.871	\$ 2,557,348
Low Rent Public Housing	14.850	2,608,927
Public Housing Capital Fund	14.872	<u>1,210,930</u>
Total assistance, federal programs		<u><u>\$ 6,377,205</u></u>
State grants:		
Project Lift Off		<u><u>\$ 26,858</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

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$411,426	\$177,211	\$162	\$34,146	\$622,945		\$622,945
114 Cash - Tenant Security Deposits	\$107,839				\$107,839		\$107,839
100 Total Cash	\$519,265	\$177,211	\$162	\$34,146	\$730,784	\$0	\$730,784
122 Accounts Receivable - HUD Other Projects	\$546,120	\$2,495			\$548,615		\$548,615
125 Accounts Receivable - Miscellaneous				\$7,200	\$7,200		\$7,200
126 Accounts Receivable - Tenants	\$89,006				\$89,006		\$89,006
126.1 Allowance for Doubtful Accounts -Tenants	-\$71,626				-\$71,626		-\$71,626
129 Accrued Interest Receivable	\$1,794	\$165		\$447	\$2,406		\$2,406
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$565,294	\$2,660	\$0	\$7,647	\$575,601	\$0	\$575,601
131 Investments - Unrestricted	\$1,118,375	\$102,694		\$278,931	\$1,500,000		\$1,500,000
142 Prepaid Expenses and Other Assets	\$114,295	\$5,044		\$8,245	\$127,584		\$127,584
143 Inventories				\$145,572	\$145,572		\$145,572
143.1 Allowance for Obsolete Inventories				-\$29,790	-\$29,790		-\$29,790
144 Inter Program Due From				\$59,767	\$59,767	-\$59,767	\$0
150 Total Current Assets	\$2,317,229	\$287,609	\$162	\$504,518	\$3,109,518	-\$59,767	\$3,049,751
161 Land	\$378,539				\$378,539		\$378,539
162 Buildings	\$31,077,089				\$31,077,089		\$31,077,089
163 Furniture, Equipment & Machinery - Dwellings	\$789,374				\$789,374		\$789,374
164 Furniture, Equipment & Machinery - Administration		\$25,777	\$2,465	\$149,480	\$177,722		\$177,722
165 Leasehold Improvements	\$4,151,965				\$4,151,965		\$4,151,965
166 Accumulated Depreciation	-\$21,637,885	-\$24,317	-\$1,479	-\$143,137	-\$21,806,818		-\$21,806,818
167 Construction in Progress	\$2,295,370				\$2,295,370		\$2,295,370
160 Total Capital Assets, Net of Accumulated Depreciation	\$17,054,452	\$1,460	\$986	\$6,343	\$17,063,241	\$0	\$17,063,241
180 Total Non-Current Assets	\$17,054,452	\$1,460	\$986	\$6,343	\$17,063,241	\$0	\$17,063,241
190 Total Assets	\$19,371,681	\$289,069	\$1,148	\$510,861	\$20,172,759	-\$59,767	\$20,112,992

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

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	COCC	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$429,242	\$2,833		\$102	\$432,177		\$432,177
321 Accrued Wage/Payroll Taxes Payable	\$14,490	\$5,016	\$454	\$54,590	\$74,550		\$74,550
322 Accrued Compensated Absences - Current Portion	\$34,716	\$4,876	\$903	\$19,628	\$60,123		\$60,123
341 Tenant Security Deposits	\$107,261				\$107,261		\$107,261
342 Deferred Revenues	\$78,448				\$78,448		\$78,448
347 Inter Program - Due To	\$11,000	\$48,767			\$59,767	-\$59,767	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$675,157	\$61,492	\$1,357	\$74,320	\$812,326	-\$59,767	\$752,559
354 Accrued Compensated Absences - Non Current	\$52,073	\$11,377	\$0	\$30,798	\$94,248		\$94,248
355 Loan Liability - Non Current				\$465,630	\$465,630		\$465,630
350 Total Non-Current Liabilities	\$52,073	\$11,377	\$0	\$496,428	\$559,878	\$0	\$559,878
300 Total Liabilities	\$727,230	\$72,869	\$1,357	\$570,748	\$1,372,204	-\$59,767	\$1,312,437
508.1 Invested In Capital Assets, Net of Related Debt	\$17,054,452	\$1,460	\$986	\$6,343	\$17,063,241		\$17,063,241
511.1 Restricted Net Assets							
512.1 Unrestricted Net Assets	\$1,589,999	\$214,740	-\$1,195	-\$66,230	\$1,737,314		\$1,737,314
513 Total Equity/Net Assets	\$18,644,451	\$216,200	-\$209	-\$59,887	\$18,800,555	\$0	\$18,800,555
600 Total Liabilities and Equity/Net Assets	\$19,371,681	\$289,069	\$1,148	\$510,861	\$20,172,759	-\$59,767	\$20,112,992

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

03/31/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,208,150				\$1,208,150		\$1,208,150
70400 Tenant Revenue - Other	\$152,740				\$152,740		\$152,740
70500 Total Tenant Revenue	\$1,360,890	\$0	\$0	\$0	\$1,360,890	\$0	\$1,360,890
70600 HUD PHA Operating Grants	\$3,076,681	\$2,608,927			\$5,685,608		\$5,685,608
70610 Capital Grants	\$1,265,781				\$1,265,781		\$1,265,781
70710 Management Fee				\$512,606	\$512,606	-\$425,880	\$86,726
70720 Asset Management Fee				\$128,526	\$128,526	-\$128,526	\$0
70730 Book Keeping Fee				\$62,445	\$62,445	-\$62,445	\$0
70700 Total Fee Revenue				\$703,577	\$703,577	-\$616,851	\$86,726
70800 Other Government Grants			\$26,858	\$0	\$26,858		\$26,858
71100 Investment Income - Unrestricted	\$11,989	\$0		\$1,200	\$13,189		\$13,189
71400 Fraud Recovery		\$22,996			\$22,996		\$22,996
71500 Other Revenue	\$59,833	\$959			\$60,792		\$60,792
70000 Total Revenue	\$5,775,174	\$2,632,882	\$26,858	\$704,777	\$9,139,691	-\$616,851	\$8,522,840
91100 Administrative Salaries	\$352,208	\$201,255		\$448,584	\$1,002,047		\$1,002,047
91200 Auditing Fees	\$7,100	\$1,200		\$1,700	\$10,000		\$10,000
91300 Management Fee	\$425,880				\$425,880	-\$425,880	\$0
91310 Book-keeping Fee	\$62,446				\$62,446	-\$62,445	\$1
91400 Advertising and Marketing	\$331	\$664			\$995		\$995
91500 Employee Benefit contributions - Administrative	\$123,979	\$71,981		\$122,391	\$318,351		\$318,351
91600 Office Expenses	\$37,829	\$12,520		\$29,169	\$79,518		\$79,518
91700 Legal Expense	\$2,242	\$2,728		\$6,072	\$11,042		\$11,042
91800 Travel	\$13,084	\$2,352		\$8,359	\$23,795		\$23,795
91900 Other	\$210,396	\$12,942		\$7,250	\$230,588	-\$128,526	\$102,062
91000 Total Operating - Administrative	\$1,235,495	\$305,642	\$0	\$623,525	\$2,164,662	-\$616,851	\$1,547,811

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

03/31/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	COCC	Subtotal	ELIM	Total
92000 Asset Management Fee	\$87,480				\$87,480		\$87,480
92100 Tenant Services - Salaries	\$69,790		\$22,150		\$91,940		\$91,940
92300 Employee Benefit Contributions - Tenant Services	\$19,398		\$8,893		\$28,291		\$28,291
92400 Tenant Services - Other	\$28,720				\$28,720		\$28,720
92500 Total Tenant Services	\$117,908	\$0	\$31,043	\$0	\$148,951	\$0	\$148,951
93100 Water	\$118,490	\$67		\$151	\$118,708		\$118,708
93200 Electricity	\$1,021,119	\$2,562		\$5,703	\$1,029,384		\$1,029,384
93300 Gas	\$62,414	\$330		\$734	\$63,478		\$63,478
93600 Sewer	\$203,056	\$112		\$472	\$203,640		\$203,640
93800 Other Utilities Expense	\$25,717	\$100			\$25,817		\$25,817
93000 Total Utilities	\$1,430,796	\$3,171	\$0	\$7,060	\$1,441,027	\$0	\$1,441,027
94100 Ordinary Maintenance and Operations - Labor	\$440,754				\$440,754		\$440,754
94200 Ordinary Maintenance and Operations - Materials and Other	\$285,375	\$4,711		\$19,753	\$309,839		\$309,839
94300 Ordinary Maintenance and Operations Contracts	\$875,698	\$14,622		\$44,176	\$934,496		\$934,496
94500 Employee Benefit Contributions - Ordinary Maintenance	\$162,485				\$162,485		\$162,485
94000 Total Maintenance	\$1,764,312	\$19,333	\$0	\$63,929	\$1,847,574	\$0	\$1,847,574
95200 Protective Services - Other Contract Costs	\$9,367			\$2,548	\$11,915		\$11,915
95300 Protective Services - Other	\$8,088				\$8,088		\$8,088
95000 Total Protective Services	\$17,455	\$0	\$0	\$2,548	\$20,003	\$0	\$20,003
96110 Property Insurance	\$108,732				\$108,732		\$108,732
96120 Liability Insurance	\$17,675	\$1,799		\$896	\$20,370		\$20,370
96130 Workmen's Compensation	\$16,079	\$3,271		\$4,923	\$24,273		\$24,273
96140 All Other Insurance				\$430	\$430		\$430
96100 Total insurance Premiums	\$142,486	\$5,070	\$0	\$6,249	\$153,805	\$0	\$153,805

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

03/31/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	COCC	Subtotal	ELIM	Total
96200 Other General Expenses	\$6,973	\$2,661			\$9,634		\$9,634
96400 Bad debt - Tenant Rents	\$83,046				\$83,046		\$83,046
96000 Total Other General Expenses	\$90,019	\$2,661	\$0	\$0	\$92,680	\$0	\$92,680
96900 Total Operating Expenses	\$4,885,951	\$335,877	\$31,043	\$703,311	\$5,956,182	-\$616,851	\$5,339,331
97000 Excess of Operating Revenue over Operating Expenses	\$889,223	\$2,297,005	-\$4,185	\$1,466	\$3,183,509	\$0	\$3,183,509
97300 Housing Assistance Payments		\$2,460,635			\$2,460,635		\$2,460,635
97400 Depreciation Expense	\$889,340	\$422	\$986	\$9,703	\$900,451		\$900,451
90000 Total Expenses	\$5,775,291	\$2,796,934	\$32,029	\$713,014	\$9,317,268	-\$616,851	\$8,700,417
10080 Special Items (Net Gain/Loss)				-\$465,630	-\$465,630		-\$465,630
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	-\$465,630	-\$465,630	\$0	-\$465,630
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expens	-\$117	-\$164,052	-\$5,171	-\$473,867	-\$643,207	\$0	-\$643,207
11030 Beginning Equity	\$18,643,582	\$380,252	\$4,962	\$414,966	\$19,443,762		\$19,443,762
11170 Administrative Fee Equity		\$234,592			\$234,592		\$234,592
11180 Housing Assistance Payments Equity		-\$18,392			-\$18,392		-\$18,392
11190 Unit Months Available	8748	7152		0	15900		15900
11210 Number of Unit Months Leased	8326	6996		0	15322		15322
11270 Excess Cash	\$1,143,562				\$1,143,562		\$1,143,562
11610 Land Purchases	\$11,000			\$0	\$11,000		\$11,000
11650 Leasehold Improvements Purchases	\$1,527,954			\$0	\$1,527,954		\$1,527,954

Single Audit Section



Collins Kemp & Patterson, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Alexander Martin Collins, CPA
Tamara Collins Kemp, CPA
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Member:
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**Independent Auditor's Report On Internal Control Over Financial Reporting
And On Compliance and Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Government Auditing Standards***

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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 20, 2013.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of finding and questioned costs to be material weaknesses (2013-1 through 2013-8).

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

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies (2013-9 through 2013-13).

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 (2013-14 through 2013-27).

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
December 20, 2013



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CERTIFIED PUBLIC ACCOUNTANTS

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

Member:
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**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, 2013. 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.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major

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

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

Basis for Qualified Opinion on the Low Rent Public Housing Program (CFDA 14.850)

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 14.850 Low Rent Public Housing as follows:

<u>Finding #</u>	<u>Compliance Requirement</u>
2013-14	Special Tests and Provisions
2013-15	Eligibility-Requirements not fully documented
2013-16	Eligibility-Rent Calculation
2013-17	Special Tests and Provisions
2013-18	Special Tests and Provisions
2013-19	Eligibility-Other
2013-20	Eligibility-Other
2013-21	Eligibility-Other
2013-22	Eligibility-Other
2013-23	Not applicable
2013-24	Activities Allowed
2013-25	Special Tests and Provisions

Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on the Low Rent Public Housing Program (CFDA 14.850)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the 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 the Low Rent Public Housing Program for the year ended March 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

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, 2013.

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 2013-26 and 2013-27. 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.

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

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-8 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-9 through 2013-13 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
December 20, 2013

**Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs
Year Ended March 31, 2013**

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of this organization.
2. Eight 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. Eleven 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 a qualified opinion.
6. Fourteen 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

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 – We agree that all policy manuals should be reviewed and updated.

**Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013**

B. Findings - Financial Statement Audit (continued)

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 agrees that it needs to take a more active role in the oversight of the Authority’s actions. Steps are being made to better educate the Board on its duties.

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:

- 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 – We agree that we need to strengthen internal controls and update financial procedures. The Authority’s long-time Executive Director and Finance Director both retired late in FYE March 31, 2013. The interim Executive Director is making improvements in these areas.

**Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013**

B. Findings - Financial Statement Audit (continued)

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 – We agree that all tenant security deposit monies should remain separate from other Authority funds. We will implement procedures to ensure that these monies are deposited directly into the Security Deposit bank account.

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.

Recommendation – The Authority should upgrade its accounting software.

Management's Response – We agree that our accounting software system should be updated. The interim Executive Director is soliciting bids for new software.

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.

**Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013**

B. Findings - Financial Statement Audit (continued)

2013-6: (continued)

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 – We agree that the system in place surrounding inventory needs to be reworked. Effective April 1, 2013, we have 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.

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.

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 – We agree that we need to strengthen internal controls and update financial procedures. The Authority's long-time Executive Director and Finance Director both retired late in FYE March 31, 2013. The interim Executive Director is making improvements in these areas.

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.

**Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013**

B. Findings - Financial Statement Audit (continued)

2013-8: (continued)

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 – We agree that we need to strengthen internal controls and update financial procedures. The Authority’s long-time Executive Director and Finance Director both retired late in FYE March 31, 2013. The interim Executive Director is making 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 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.

**Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013**

B. Findings - Financial Statement Audit (continued)

2013-9: (continued)

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 – We agree that we need to strengthen internal controls and update financial procedures. The Authority’s long-time Executive Director and Finance Director both retired late in FYE March 31, 2013. The interim Executive Director is making 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 – We agree that we need to strengthen internal controls and update financial procedures. The Authority’s long-time Executive Director and Finance Director both retired late in FYE March 31, 2013. The interim Executive Director is making improvements in these areas.

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.

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:

**Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013**

B. Findings - Financial Statement Audit (continued)

2013-11: (continued)

- 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 – We agree that we need to strengthen internal controls and update financial procedures. The Authority's long-time Executive Director and Finance Director both retired late in FYE March 31, 2013. The interim Executive Director is making improvements in these areas.

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 – We agree that we need to strengthen internal controls and update financial procedures. The Authority's long-time Executive Director and Finance Director both retired late in FYE March 31, 2013. The interim Executive Director is making improvements in these areas.

**Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013**

B. Findings - Financial Statement Audit (continued)

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 – We agree that we need to strengthen internal controls and update financial procedures. The Authority’s long-time Executive Director and Finance Director both retired late in FYE March 31, 2013. The interim Executive Director is making improvements in these areas.

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

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.

**Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013**

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

2013-14: (continued)

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.

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

Management's Response – We agree that procedures were not followed. We will train staff in following the proper procedures.

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 – We agree that procedures were not followed. We will train staff in following the proper procedures.

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.

Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013

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

2013-16: (continued)

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 – We agree that procedures were not followed. We will train staff in following the proper procedures.

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 – We agree that procedures were not followed. We will train staff in following the proper procedures.

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.

**Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013**

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

2013-18: (continued)

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

Management's Response – We agree that procedures were not followed. We will train staff in following the proper procedures.

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.

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 – We agree that procedures need to be improved in this area. Effective immediately, we have made staff aware that improper selections from the tenant waiting list would not be tolerated.

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.

**Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013**

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

2013-20: (continued)

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 – We agree that procedures need to be improved in this area. We will train staff in following the proper procedures. Effective immediately, we have made staff aware that improper selections from the tenant waiting list would not be tolerated.

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.

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 – We agree that procedures need to be improved in this area. We will train staff in following the proper procedures.

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.

**Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013**

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

2013-22: (continued)

Management's Response – We agree that procedures need to be improved in this area. 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 – We agree that the software system used by the Low Income Housing Program is outdated. Efforts will be made to update this system when possible.

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 – We are aware that we may not enter into contracts with employees or former employees (less than 1 year after termination of employment). We will put procedures in place to prevent this from happening in the future.

**Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013**

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

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 – We are aware that we have unfavorable budget variances as a result of overspending. We will put procedures in place to prevent this from happening in the future.

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

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.

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 – We agree that all applications should be time and date stamped. We will put procedures in place to ensure all applications are time and date stamped.

Housing Authority of the City of Lumberton
Summary Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2013

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

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 – We agree that all extraneous information should be documented. We will put procedures in place to ensure that unverified documentation is labeled as such, along with the reasons for the lack of verification.

**Housing Authority of the City of Lumberton
Summary Schedule of Prior Year Audit Findings
Year Ended March 31, 2013**

The following audit finding was noted for the year ended March 31, 2012.

2012-1:

Criteria – Circular A-133 states that for each public and Indian housing grant that involves development, operating, or modernization assistance, the prime recipient must submit Form HUD 60002 (24 CFR sections 135.3 (a) and 135.90).

Condition – The Authority did not have any documentation to support that HUD 60002 had been filed.

Effect – Noncompliance with Circular A-133 compliance supplement.

Cause – Employee oversight and turnover.

Recommendation – Management should implement internal controls to ensure that the copies of HUD 60002 are on file for future audits.

Management response – Management agrees with the finding and will implement the recommended corrective action.

Resolution – The Authority has filed HUD 60002 and retained a copy on site.

**Housing Authority of the City of Lumberton
Corrective Action Plan
Year Ended March 31, 2013**

December 20, 2013

US Department of Housing and Urban Development

We respectfully submit the following corrective action plan for the year ended March 31, 2013.

Name and address of independent public accounting firm:

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

Audit period: Year Ended March 31, 2013

The findings from the March 31, 2013, 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

2013-1:

The Executive Director and Finance Director in place for the fiscal year ended March 31, 2013 have retired. An interim Executive Director has been in place since March 2013. He is implementing and enforcing additional procedures to strengthen internal controls. He is overseeing the process of updating all policies and procedures manuals. A Finance Director was hired in November 2013.

2013-2:

The Board of Commissioners has attended Board training. The Board is working closely with the interim Executive Director and HUD to do a better job in its oversight of the Authority's actions.

2013-3:

The Executive Director and Finance Director in place for the fiscal year ended March 31, 2013 have retired. An interim Executive Director has been in place since March 2013. He is implementing and enforcing additional procedures to strengthen internal controls. He is overseeing the process of updating all policies and procedures manuals. A Finance Director was hired in November 2013.

2013-4:

Procedures have been put in place to ensure that tenant security payments are deposited directly into the security deposit banking account.

2013-5:

The interim Executive Director is looking at new accounting systems. Additionally, a fee accountant has been hired to handle the daily ledger transactions, effective April 1, 2013. Timely, detailed information is available from them.

**Housing Authority of the City of Lumberton
Corrective Action Plan
Year Ended March 31, 2013**

A. Findings – Financial Statement Audit (continued)

2013-6:

The interim Executive Director has implemented new controls regarding the inventory tracking system. Access to parts is limited to appropriate personnel. Proper paperwork, allowing for accurate chargebacks to the AMPS, must be completed before parts are relieved from inventory. Physical inventory counts are made weekly.

2013-7:

The Executive Director and Finance Director in place for the fiscal year ended March 31, 2013 have retired. An interim Executive Director has been in place since March 2013. He is implementing and enforcing additional procedures to strengthen internal controls. He is overseeing the process of updating all policies and procedures manuals. A Finance Director was hired in November 2013.

2013-8:

The Executive Director and Finance Director in place for the fiscal year ended March 31, 2013 have retired. An interim Executive Director has been in place since March 2013. He is implementing and enforcing additional procedures to strengthen internal controls. He is overseeing the process of updating all policies and procedures manuals. A Finance Director was hired in November 2013.

2013-9:

The Executive Director and Finance Director in place for the fiscal year ended March 31, 2013 have retired. An interim Executive Director has been in place since March 2013. He is implementing and enforcing additional procedures to strengthen internal controls. He is overseeing the process of updating all policies and procedures manuals. A Finance Director was hired in November 2013.

2013-10:

The Executive Director and Finance Director in place for the fiscal year ended March 31, 2013 have retired. An interim Executive Director has been in place since March 2013. He is implementing and enforcing additional procedures to strengthen internal controls. He is overseeing the process of updating all policies and procedures manuals. A Finance Director was hired in November 2013.

2013-11:

The Executive Director and Finance Director in place for the fiscal year ended March 31, 2013 have retired. An interim Executive Director has been in place since March 2013. He is implementing and enforcing additional procedures to strengthen internal controls. He is overseeing the process of updating all policies and procedures manuals. A Finance Director was hired in November 2013.

2013-12:

The Executive Director and Finance Director in place for the fiscal year ended March 31, 2013 have retired. An interim Executive Director has been in place since March 2013. He is implementing and enforcing additional procedures to strengthen internal controls. He is overseeing the process of updating all policies and procedures manuals. A Finance Director was hired in November 2013.

**Housing Authority of the City of Lumberton
Corrective Action Plan
Year Ended March 31, 2013**

A. Findings – Financial Statement Audit (continued)

2013-13:

The Executive Director and Finance Director in place for the fiscal year ended March 31, 2013 have retired. An interim Executive Director has been in place since March 2013. He is implementing and enforcing additional procedures to strengthen internal controls. He is overseeing the process of updating all policies and procedures manuals. A Finance Director was hired in November 2013.

B. Findings – Federal Award Program Audit

2013-14:

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 are being made to train employees in completing the certification and recertification processes.

2013-15:

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 are being made to train employees in completing the certification and recertification processes.

2013-16:

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 are being made to train employees in completing the certification and recertification processes.

2013-17:

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 are being made to train employees in completing the certification and recertification processes.

2013-18:

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 are being made to train employees in completing the certification and recertification processes.

**Housing Authority of the City of Lumberton
Corrective Action Plan
Year Ended March 31, 2013**

B. Findings – Federal Award Program Audit (continued)

2013-19:

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 are being made to train employees in completing the certification and recertification processes.

2013-20:

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 are being made to train employees in completing the certification and recertification processes.

2013-21:

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 are being made to train employees in completing the certification and recertification processes.

2013-22:

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 are being made to train employees in completing the certification and recertification processes.

2013-23:

The Low Rent Public Housing department has been restructured. Each AMP now has its own maintenance crew, which reports to the AMP manager. This has improved the vacant unit turnaround rates. Additionally, new management software systems are being reviewed.

2013-24:

The Authority will implement procedures to prevent entering into contracts that violate the Annual Contribution Contract rules and HUD policies.

2013-25:

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

**Housing Authority of the City of Lumberton
Corrective Action Plan
Year Ended March 31, 2013**

B. Findings – Federal Award Program Audit (continued)

2013-26:

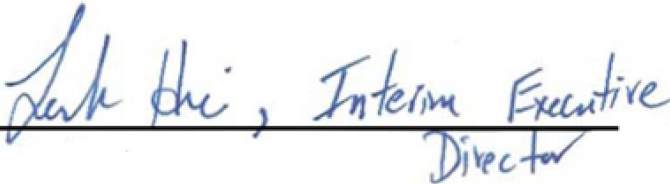
The staff responsible for administering the Housing Choice Voucher Program will continue to strive for improvements in calculating total family payments.

2013-27:

The staff responsible for administering the Housing Choice Voucher Program will continue to strive for improvements in calculating total family payments.

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

Sincerely,



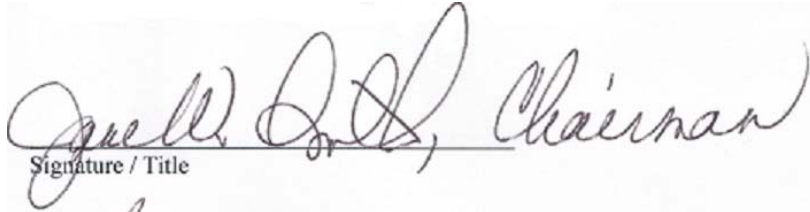
Director

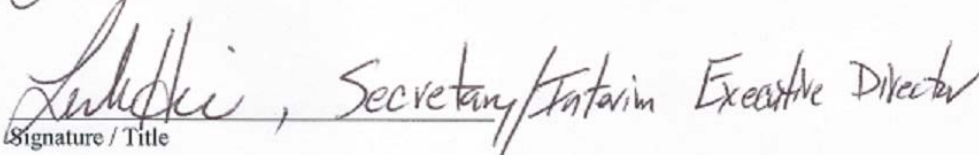
LeMark Harris
Interim Executive Director

**Housing Authority of the City of Lumberton
Certification of Officers
Year Ended March 31, 2013**

December 20, 2013

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

**Housing Authority of the City of Lumberton
Certification of Management
Year Ended March 31, 2013**

December 20, 2013

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 *Interim Executive Director*