

Dogwood Public Housing Authority
in Dogwood, North Carolina
(Updated July 2017)

State and Local Government Finance Division
North Carolina Department of State Treasurer

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September 30, 2016**

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LETTERHEAD OF INDEPENDENT AUDITOR

Independent Auditor's Report **(for Special-purpose Government Engaged in Business-type Activities Only)**

To the Chairman and the Board of Commissioners
Dogwood Public Housing Authority
Dogwood, North Carolina

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activity and each major and non-major fund of the Dogwood Public Housing Authority, Dogwood North Carolina as of and for the year ended September 30, 2016, 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. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dogwood Public Housing Authority, Dogwood, North Carolina as of September 30, 2016, 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 and Local Government Employees' Retirement System Schedules of the Authority's Proportionate Share of Net Pension Liability and Authority Contributions, on pages 35-F-9 through 35-F-18, 35-F-47, and 35-F-48 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 opinions 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated [*date of report*] on our consideration of the Dogwood Public Housing Authority, Dogwood, 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.

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Management Discussion and Analysis

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Management's Discussion and Analysis (MD&A)

The management of the Dogwood Public Housing Authority (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) September 30, 2016. 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

- The Authority's net position increased by \$ 415,249 (or 9.63%) to \$4,696,366, as compared to the previous year's end. Net investment in capital assets increased by \$406,114 (or 9.66%) as compared to the previous year's end. Unrestricted net position decreased by \$20,676 to \$65,052 during the FYE September 30, 2016.
- Operating revenues are \$729,715 for the fiscal year.
- Total operating expenses of all the Authority's programs were \$696,684 during the FYE September 30, 2016.
- The Authority's total debt decreased during the current fiscal year to \$1,091,686. The key factor in this decrease was the payment on existing debt.

Note to preparer: Continue to list any other significant financial highlights here.

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 Dogwood Public Housing Authority's primary mission is to provide housing to those eligible in the City of Dogwood 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.

Note to preparer – Modify the above section as necessary if the unit of government has only governmental funds or both governmental and proprietary funds.

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 start on page 35-F-25 of this report. After the notes, supplemental information is provided to show details about the Authority's individual funds.

Management Discussion and Analysis
Dogwood Public Housing Authority

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.

Note to preparer – The above paragraph should be modified as appropriate, depending on the nature of the special-purpose government.

Authority's Net Position

Figure 1

	2016	2015
Current and other assets	\$ 403,170	\$ 485,212
Capital assets	5,703,000	5,349,097
Total assets	<u>6,106,170</u>	<u>5,834,309</u>
Deferred outflows	76,606	-
Current liabilities	254,699	356,650
Non-current liabilities	1,222,020	1,166,731
Total liabilities	<u>1,476,719</u>	<u>1,523,381</u>
Deferred inflows	9,691	-
Net position:		
Net investment in capital assets	4,611,314	4,205,200
Restricted	20,000	20,000
Unrestricted	65,052	85,728
Total net position	<u>\$ 4,696,366</u>	<u>\$ 4,310,928</u>

Net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Authority exceeded liabilities and deferred inflows by \$ 4,696,969 as of September 30, 2016. The Authority's net position *increased* by \$415,249 for the fiscal year ended September 30, 2016. The largest portion of net position (98.19%) 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. Although the Authority's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Authority's net position (0.42%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$65,052 is unrestricted.

Management Discussion and Analysis
Dogwood Public Housing Authority

Note to preparer - The paragraph above represents the most common scenario for local governments – that in which the net investment in capital assets is the largest component of overall net position. If this is NOT the case for your unit of government, this paragraph will need to be modified.

The financial operations of the Authority positively influenced the total net position with the capital contribution of \$440,000 in the Capital Fund Program and the associated increase in capital assets.

Note to preparer - List here the highlights which generally explain the change in the financial condition – fee revenue or rent revenue increases due to annexation and/or economic growth, reductions in spending, savings from debt refunding's, new operating grants received, etc.

(continued on next page)

Management Discussion and Analysis
Dogwood Public Housing Authority

Authority's Changes in Net Position
Figure 2

	2016	2015
Operating Revenues:		
Dwelling rental	\$ 294,000	\$ 138,600
Miscellaneous revenue	2,200	2,562
Operating subsidy-HUD	433,515	489,612
Total operating revenues	<u>729,715</u>	<u>630,774</u>
Operating Expenses		
Administration	185,004	70,209
Tenant services	3,315	2,897
Utilities	52,876	52,600
Ordinary maintenance	94,931	47,832
Protective services	3,500	3,500
General expense	27,015	26,539
Non-routine maintenance	6,123	5,890
Housing assistance payments	65,890	63,724
Depreciation	258,030	279,890
Total operating expenses	<u>696,684</u>	<u>553,081</u>
Income from operations	33,031	77,693
Non-operating revenues (expenses)		
Loss on disposal of capital assets	(4,817)	-
Interest income	1,498	985
Interest expense	(54,463)	(57,631)
Total non-operating revenues (expenses)	<u>(57,782)</u>	<u>(56,646)</u>
Capital contributions	<u>440,000</u>	<u>389,000</u>
Increase in net position	415,249	410,047
Net position, beginning	4,218,118	3,808,071
Net position, September 30	<u>\$ 4,633,367</u>	<u>\$ 4,218,118</u>

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets as of September 30, 2016, totals \$5,703,000 (net of accumulated depreciation). These assets include buildings, land, equipment, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals): the Authority's capital assets increased primarily in the Low Rent Modernization Fund, with new construction and remodeling work.

Authority's Capital Assets

Figure 3

	2016	2015
Land	\$ 200,000	\$ 150,000
Buildings and improvements	3,980,708	3,958,951
Leasehold improvements	896,406	912,081
Furniture and Equipment	225,886	235,181
Construction in progress	400,000	175,000
Total	<u>\$ 5,703,000</u>	<u>\$ 5,431,213</u>

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

Long-term Debt. As of September 30, 2016, the Authority had total bonded debt outstanding of \$1,091,686. The entire debt is secured by the assets associated with the debt.

Authority's Outstanding Liabilities

Figure 4

	2016	2015
2015 Loan	\$ 450,000	\$ 450,000
2004 Note	641,686	687,648
LGERS pension liability	106,329	25,312
Total	\$ 1,198,015	\$ 1,162,960

The Authority's total debt increased by \$35,055 during the past fiscal year, primarily due to the payment on outstanding debt.

Note to preparer - The above paragraph discussing debt issuance is for illustrative purposes. It should be modified to encompass the significant reasons for the unit's increase or decrease in debt. See the illustrative financial statements for Carolina County and the City of Dogwood for additional examples.

Additional information regarding the Authority's long-term debt can be found in note III to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Authority.

Note to preparer - List items such as number of new jobs created in unit, number of occupied square feet of business property, unemployment rate and how it compares to state average, total retail sales for the unit for the year, etc.

- Low unemployment. The City's unemployment rate of 3.1% is well below the State average of 4.5% and is expected to reduce the demand for low-income housing.
- New manufacturing jobs. The City added approximately 400 new jobs last year in the manufacturing sector with the expansion of the Doohickey Factory. The increase in employment is expected to reduce the demand for public housing.
- Occupancy rates on office and retail space. The City occupancy rates are about 90% for the year, which is an increase from last year and higher than the area average of 85%. This indicates a strengthening local economy.

Budget Highlights for the Fiscal Year Ending September 30, 2017

Note to preparer – The following paragraphs are included for illustrative purposes. You will need to modify this section to summarize the budget adopted by your unit of government for the upcoming year.

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 new 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, 789 Shelter Way, Dogwood, North Carolina, 46637.

Basic Financial Statements

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Dogwood Public Housing Authority
Statement of Net Position
as of September 30, 2016

	Major Funds			Total Non-Major Funds	Total Funds
	Low Rent Public Housing Program	Housing Choice Voucher Program	Capital Fund Program	Home Ownership Fund*	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 197,800	\$ 6,578	\$ 20,000	\$ 141,442	\$ 365,820
Accounts receivable-HUD	26,500	870	-	3,250	30,620
Accounts receivable-Other	3,700	-	-	535	4,235
Supplies Inventories	1,000	25	-	163	1,188
Internal activities	400	40	-	(440)	-
Prepaid items	800	250	-	-	1,307
Total current assets	230,200	7,763	20,000	145,207	403,170
Non-current assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	200,000	-	400,000	-	600,000
Buildings and improvements	5,545,000	-	450,000	-	5,995,000
Leasehold improvements	1,350,000	-	-	-	1,350,000
Furniture and equipment	90,000	6,687	20,000	223,500	340,187
Less accumulated depreciation	(2,476,990)	(2,687)	(12,510)	(90,000)	(2,582,187)
Total non-current assets	4,708,010	4,000	857,490	133,500	5,703,000
Total assets	\$ 4,938,210	\$ 11,763	\$ 877,490	\$ 278,707	\$ 6,106,170
DEFERRED OUTFLOWS OF RESOURCES	\$ 68,945	\$ 3,065	\$ -	\$ 4,596	\$ 76,606
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 171,080	\$ 450	\$ -	\$ 3,502	\$ 175,032
Unearned revenue	700	5,390	-	-	6,090
Customer deposits	4,040	-	-	-	4,040
Long-term debt due within one year	48,683	-	20,854	-	69,537
Total current liabilities	224,503	5,840	20,854	3,502	254,699
Noncurrent liabilities:					
Net pension liability	95,696	4,253	-	6,380	106,329
Homeownership funds held for tenants	-	-	-	89,635	89,635
Accrued vacation pay	1,750	340	-	1,817	3,907
Long-term debt due in more than one year	593,003	-	429,146	-	1,022,149
Total noncurrent liabilities	690,449	4,593	429,146	97,832	1,222,020
Total liabilities	914,952	10,433	450,000	101,334	1,476,719
DEFERRED INFLOWS OF RESOURCES	8,722	388	-	582	9,691
NET POSITION					
Net investment in capital assets	4,066,324	4,000	407,490	133,500	4,611,314
Restricted :					
Unspent grant	-	-	20,000	-	20,000
Unrestricted	17,157	7	-	47,888	65,052
Total net position	\$ 4,083,481	\$ 4,007	\$ 427,490	\$ 181,388	\$ 4,696,366

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

*** NOTE TO PREPARER: Identify the non-major fund by name only if there is a single one. If there are more, show the detail of each non-major fund in a combining statement in the Supplementary Information Section, following the notes.**

Dogwood Public Housing Authority
Statement of Revenues, Expenses and Changes in Net Position -- All Funds
For The Year Ended September 30, 2016

	Major Funds			Total Non-Major Funds	Total
	Low Rent Public Housing Program	Housing Choice Voucher Program	Capital Fund Program	Home Ownership Fund*	
Operating revenues:					
Dwelling rental	\$ 231,400	\$ -	\$ -	\$ 62,600	\$ 294,000
Excess utilities	1,700	-	-	-	1,700
Non-dwelling rental	500	-	-	-	500
Operating subsidy-HUD	318,000	76,540	-	38,975	433,515
Total operating revenues	<u>551,600</u>	<u>76,540</u>	<u>-</u>	<u>101,575</u>	<u>729,715</u>
Operating expenses:					
Administration	109,334	9,024	-	66,646	185,004
Tenant services	2,708	-	-	607	3,315
Utilities	51,723	600	-	553	52,876
Ordinary maintenance	91,875	950	-	2,106	94,931
Protective services	3,500	-	-	-	3,500
General expense	24,191	910	-	1,914	27,015
Non-routine maintenance	6,123	-	-	-	6,123
Housing assistance payments	-	65,890	-	-	65,890
Depreciation	245,000	3,400	6,255	3,375	258,030
Total operating expenses	<u>534,454</u>	<u>80,774</u>	<u>6,255</u>	<u>75,201</u>	<u>696,684</u>
Operating income (loss)	<u>17,146</u>	<u>(4,234)</u>	<u>(6,255)</u>	<u>26,374</u>	<u>33,031</u>
Nonoperating revenues (expenses):					
Loss on disposal of fixed assets	-	-	-	(4,817)	(4,817)
Interest income	1,300	98	-	100	1,498
Interest expense	(32,484)	-	-	(21,979)	(54,463)
Nonoperating revenues (expenses)	<u>(31,184)</u>	<u>98</u>	<u>-</u>	<u>(26,696)</u>	<u>(57,782)</u>
Capital contributions	-	-	440,000	-	440,000
Change in Net Position	(14,038)	(4,136)	433,745	(322)	415,249
Beginning net position, beginning of year	<u>4,097,519</u>	<u>8,143</u>	<u>(6,255)</u>	<u>181,710</u>	<u>4,281,118</u>
Net Position, end of year	<u>\$ 4,083,481</u>	<u>\$ 4,007</u>	<u>\$ 427,490</u>	<u>\$ 181,388</u>	<u>\$ 4,696,366</u>

*** NOTE TO PREPARER: Identify the non-major fund *by name* only if there is a single one. If there are more, show the detail of each non-major fund in a combining statement in the Supplementary Information Section.**

**Dogwood Public Housing Authority
Combining Statement of Cash Flows
For The Year Ended September 30, 2016**

	Major Funds			Total Non-Major Funds	Total
	Low Rent Public Housing Program	Housing Choice Voucher Program	Capital Fund Program	Home Ownership Fund*	
Cash flows from operating activities:					
Cash received from tenants	\$ 128,204	\$ -	\$ -	\$ 15,610	\$ 143,814
Cash paid for goods and services	(126,891)	(68,810)	-	(8,712)	(204,413)
Cash paid to employees	(59,981)	(7,830)	-	(13,270)	(81,081)
Deposits and home ownership funds received	5,020	-	-	1,290	6,310
Deposits and home ownership funds returned	(980)	-	-	(1,000)	(1,980)
Operating grants and subsidies	301,500	76,410	-	38,975	416,885
Net cash provided by operating activities	<u>246,872</u>	<u>(230)</u>	<u>-</u>	<u>32,893</u>	<u>279,535</u>
Cash flows from capital and related financing activities:					
Capital grants	-	-	440,000	-	440,000
Acquisition of capital assets	-	-	(420,000)	-	(420,000)
Payments on long term debt	(45,962)	-	-	-	(45,962)
Interest payments	(32,484)	-	-	(21,979)	(54,463)
Net cash provided (used) for capital and related financing activities	<u>(78,446)</u>	<u>-</u>	<u>20,000</u>	<u>(21,979)</u>	<u>(80,425)</u>
Cash flows from investing activities:					
Interest on investments	<u>1,300</u>	<u>98</u>	<u>-</u>	<u>100</u>	<u>1,498</u>
Net increase in cash and cash equivalents	169,726	(132)	20,000	11,014	200,608
Cash and cash equivalents at beginning of year	<u>28,074</u>	<u>6,710</u>	<u>-</u>	<u>130,428</u>	<u>165,212</u>
Cash and cash equivalents at end of year	<u>\$ 197,800</u>	<u>\$ 6,578</u>	<u>\$ 20,000</u>	<u>\$ 141,442</u>	<u>\$ 365,820</u>

(continued)

**Dogwood Public Housing Authority
Combining Statement of Cash Flows
For The Year Ended September 30, 2016**

Major Funds			Total Non-Major Funds	Total
Low Rent Public Housing Program	Housing Choice Voucher Program	Capital Fund Program	Home Ownership Fund*	

Reconciliation of operating loss to net cash
used by operating activities:

Operating income (loss)	\$ 17,146	\$ (4,234)	\$ (6,255)	\$ 26,374	\$ 33,031
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation	245,000	3,400	6,255	3,375	258,030
Increase in deferred outflows of resources - pensions	(60,254)	(2,678)	-	(4,017)	(66,949)
(Increase) decrease in tenant rents receivable	(2,510)	-	-	910	(1,600)
(Increase) decrease due from U.S. Dept. of HUD	(21,462)	(130)	-	250	(21,342)
(Increase) decrease in supplies inventory	(100)	10	-	103	13
(Increase) decrease in prepaid insurance	(200)	50	-	30	(120)
Increase (decrease) in accounts payable and accrued liabilities	(6,061)	140	-	(1,015)	(6,936)
Increase (decrease) in customer deposits and home ownership fund	6,000	-	-	2,290	8,290
(Increase) decrease in contributions made to the pension plan subsequent to the measurement date	(900)	(40)	-	(60)	(1,000)
Increase in net pension liability	72,915	3,241	-	4,861	81,017
Decrease in deferred inflows of resources - pensions	(3,119)	(139)	-	(208)	(3,465)
Increase in accrued vacation pay	300	150	-	-	450
Increase in unearned revenues	116	-	-	-	116
Total adjustments	<u>229,726</u>	<u>4,004</u>	<u>6,255</u>	<u>6,519</u>	<u>246,504</u>
Net cash provided (used) by operating activities	<u>\$ 246,872</u>	<u>\$ (230)</u>	<u>\$ -</u>	<u>\$ 32,893</u>	<u>\$ 279,535</u>

Non-cash transactions:

Under the provisions of Annual Contribution Contract # ZZZ1, HUD serviced all debt for the Authority during the fiscal year. Total debt serviced for the Low Rent Housing Fund was \$481,049, and consisted of \$211,970 in principal repayments, and a \$269,079 payment of accrued interest. Debt serviced for the Home Ownership Fund totaled \$14,336, and consisted of \$8,313 in principal repayment and a \$6,023 payment of accrued interest.

*** NOTE TO PREPARER: Identify the non-major fund *by name* only if there is a single one. If there are more, show the detail of each non-major fund in a combining statement in the Supplementary Information Section.**

Notes to the Financial Statements

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Dogwood Public Housing Authority

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2016

I. Summary of Significant Accounting Policies

The accounting policies of the Dogwood Public Housing Authority 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 Dogwood Public Housing Authority 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 created for the purpose of providing safe and sanitary housing for the low-income citizens of the City of Dogwood.

The Authority is reported as a related organization in the notes to the City of Dogwood’s financial statements because the governing board’s five-member Board of Commissioners of the Authority are appointed to two-year terms by the mayor of the City of Dogwood and the City of Dogwood 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 Dogwood 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 Dogwood.

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 Dogwood Public Housing Authority has 180 units in management. It is also administering a Modernization Program for 30 units.

Management	Units
Owned Housing ST X-1, 2	160
HAPs Program ST X-3	20
Total	180

Modernization	Units
Project ST X-1	30
Total	30

C. Basis of Presentation – Fund Accounting

The accounts of the Dogwood Public Housing Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, 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.

The Dogwood Public Housing Authority reports the following major funds:

The Low Rent Public Housing 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.

The Housing Choice Voucher 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 Capital Fund Program accounts for the modernization and improvement of existing housing units owned by the Authority.

The Dogwood Public Housing Authority reports the following non-major fund:

The Home Ownership Program provides low-income tenants with the opportunity to purchase a home of their own. The tenant accumulates equity by renting and maintaining the unit. The tenant may purchase the home by applying this equity to the purchase of the home and by obtaining financing for the balance of the purchase price. The Authority administers this program. Operating subsidies are paid to the Authority and debt service payments are made by HUD under the terms of the annual contribution contract.

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, and 3) unrestricted. 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.

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 September 30, 2016.

F. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by HUD regulations. The Authority may designate as an official depository any bank or savings and loan association whose principal office is located in

North Carolina. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money accounts, and certificates of deposit.

Section 401(e) of the 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.

Due from the United States Department of Housing and Urban Development

The amount due from HUD as of September 30, 2016 consisted of operating subsidy payments earned as of September 30th but not received as of that date.

Inventories

Inventories are recorded at cost, cost being determined on the first-in, first-out basis. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures when purchased and inventory on hand at year-end is recorded as an asset.

Prepaid Items

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

Capital Assets

Donated capital assets received prior to September 30, 2015 are stated at their estimated fair value on the date donated. This included site acquisition and improvement, structures, and equipment. Donated capital assets received after October 1, 2015 are recorded at amortized cost, the price is adjusted for transportation costs, but would not otherwise be adjusted for transaction costs. Other capital assets are recorded at historical cost at the date of acquisition. This includes site acquisition and improvement, structures, and equipment. Other capital assets are recorded at historical cost at the date of acquisition. 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	30 years
Improvements	15 – 30 years
Furniture, fixtures and equipment	3 – 10 years
Automobiles and vehicles	5 years

Note to Preparer:

GASB 72 requires that donations of specific capital assets during fiscal years beginning after June 15, 2015, be measured at acquisition value (market-based entry price). For more information on the acquisition value requirements for certain donated capital assets please refer to Paragraph 79 of GASB Statement No. 72.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. 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. The Authority has both deferred outflows and inflows of resources resulting from changes in unamortized components of pension expense.

Unearned Revenue

Unearned revenue consists of rental payments made by tenants in advance of their due date and rental supplements to be paid to owners of private dwellings during the first month of the next fiscal year.

Home Ownership Funds Held for Tenants

This account represents the liability of the Authority for home equity and non-routine maintenance accounts held for tenants of the Home Ownership Program housing units. Home equity accounts will be refunded to the tenant when they purchase the housing unit or their lease is terminated. Non-routine maintenance accounts are refunded to tenants if the unit is purchased, but are held by the Authority if the lease is terminated.

Accrued Vacation Pay

The Dogwood Public Housing Authority allows its full time employees to accumulate up to thirty 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. The current portion of accumulated vacation pay and salary related payments are not considered to be material.

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.

Long-Term Debt

Long-term debt consists of the following:

1. A \$450,000 project loan with Dogwood Bank authorized in 2015, the proceeds of which were used to construct housing units for the Home Ownership Fund.
2. A \$1,000,000 2004 project note to modernize the Low Rent Housing Program housing project.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Dogwood Housing Authority's employer contributions are recognized when due and the Authority has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina Statutes

Note to preparer: Significant instances of noncompliance with the fiscal and budgetary requirements of the General Statutes should be disclosed in this section along with a corrective action plan. Items such as failure to adopt a budget complying with NC General Statute 159-42(c), a performance bond less than \$50,000 for the Finance Officer, and material instances of budgetary noncompliance in any funds based on the legal level of budgetary control should be disclosed. Immaterial instances of noncompliance can be disclosed in the management letter.

Contractual Violations

Note to preparer: Any material violations of various contractual agreements should be disclosed. A corrective action plan should be included for each violation.

B. Deficit Net Position of Individual Funds

Note to preparer: Any individual funds with deficits in fund balances or net position should be disclosed along with a corrective action plan.

C. Excess of Expenditures over Budget

	<u>Budgeted amount</u>	<u>Actual expenditure</u>	<u>Overspent</u>
Low Rent Public Housing Program			
Administration	\$89,500	\$92,549	\$3,049
Home Ownership Fund			
Ordinary Maintenance	\$2,000	\$2,106	\$106
Administration	\$65,700	\$65,920	\$220

Note to preparer: Any material excess expenditure(s) over appropriation(s) should be disclosed, along with a corrective action plan for any material variances.

III. Detailed Notes on All Funds

A. Assets

Deposits

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 the year-end, the Authority's deposits had a carrying amount of \$ 345,720 and a bank balance of \$346,725. Of the bank balance \$250,000 was covered by federal depository insurance and \$97,725 was covered by collateral held under the dedicated method. The Authority has \$100 cash on hand at September 30, 2016.

Investments

The Authority invests in accordance with HUD regulations and North Carolina Statutes. As of September 30, 2016, the Authority had the following investments and maturities:

Investment Type	Valuation Measurement Method	Book value 9/30/2016	Maturity
US Treasuries	Fair Value - Level 1	20,000	Less than 1 year
Total Investments		<u>\$ 20,000</u>	

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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.

Custodial risk – The Authority has no policy on custodial credit risk.

Note to preparer: The unit should disclose whether or not their Board has adopted a formal policy for any of the different deposit and investments risks it encounters. In addition, the unit may include whether its management follows any internal practices to avoid applicable risks. Please see GASB Statement No. 40 and Memorandum #1056 for additional information. See Note III.A.1 of Carolina County for an example for a formal policy and Note III.A.1 of Carolina County Board of Education for an example when the Board has not formally adopted a policy, and management does not have an internal policy.

Due from U.S. Department of HUD

The following amounts were due from HUD at September 30, 2016:

	Low Rent Housing Fund	Housing Choice Voucher Program	Home Ownership Fund	Total
Operating Subsidies earned but not realized at year-end	\$ 26,500	\$ 870	\$ 3,250	\$ 30,620

Changes in Capital Assets

The capital assets of the Authority at September 30, 2016 consisted of the following:

Description	Balance at 9/30/2014	Increases	Decreases	Balance at 9/30/2015
Capital assets not being depreciated:				
Land	\$ 150,000	\$ 50,000	-	\$ 200,000
Construction in progress	175,000	225,000	-	400,000
Total capital assets not being depreciated	325,000	275,000	-	600,000
Capital assets being depreciated:				
Buildings & Improvements	5,795,000	200,000	-	5,995,000
Leasehold Improvements	1,310,000	40,000	-	1,350,000
Furniture and Equipment	320,187	30,000	10,000	340,187
Total capital assets being depreciated	7,425,187	270,000	10,000	7,685,187
Less accumulated depreciation for:				
Buildings & Improvements	(1,836,049)	(173,060)	5,183	(2,014,292)
Leasehold Improvements	(397,919)	(55,675)	-	(453,594)
Furniture & Equipment	(85,006)	(29,295)	-	(114,301)
Total accumulated depreciation	(2,318,974)	(258,030)	5,183	(2,582,187)
Total capital assets being depreciated, net	5,106,213	11,970	4,817	5,103,000
Total capital assets, net	\$5,431,213	286,970	15,183	\$5,703,000

B. Liabilities

Pension Plan Obligation

Local Governmental Employees' Retirement System

Plan Description. The Authority is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to

retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Authority employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Authority's contractually required contribution rate for the year ended September 30, 2016, was 7.50% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Authority were \$21,544 for the year ended September 30, 2016.

Refunds of Contributions – Authority employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the Authority reported a liability of \$106,329 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Authority's proportion was 0.00501%, which was a decrease of 0.00063% from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the Authority recognized pension expense of \$30,603. At September 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,998	\$ 3,726
Changes of assumptions	\$ 7,283	\$ -
Net difference between projected and actual earnings on pension plan investments	58,786	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,539	5,965
Employer contributions subsequent to the measurement date	6,000	-
Total	<u>\$ 76,606</u>	<u>\$ 9,691</u>

\$ 6,000 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2017	\$ 9,341
2018	9,342
2019	26,671
2020	15,561
2021	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension asset to changes in the discount rate. The following presents the Authority's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Authority's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability (asset)	\$ 252,368	\$ 106,329	\$ (15,654)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Note to preparer: For units that offer a **defined contribution** retirement plan, please consider the following note.

The Authority contributes to the Name of Retirement Plan (Plan) for its employees through a defined contribution plan that is administered through [name of firm administering plan]. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the board. The Plan is available to all full-time employees with six months of continuous service. Employees who work at least 32 hours a week are considered full-time. The Authority matches employee contributions up to 3% of employee compensation and all amounts are vested immediately. During the fiscal year ending September 30, 2016, the Authority's contributions totaled \$_____ and employee contributions totaled \$_____. In the 2016 fiscal year end, the Authority recognized pension expense of \$_____. The financial statements for the plan are available by contacting [name of firm administering plan] at ###-###-#### or by writing to [address of firm administering plan].

Units whose fiscal year began after June 15, 2016 must implement GASB Statement 73. Units whose fiscal year began before June 15, 2016 may choose to early implement GASB Statement 73. Units implementing GASB Statement 73 should consider the following additional disclosures.

There are no assets accumulated in a trust that meet the criteria outlined in GASB Statement 73. The Authority made all required contributions to the plan and there were no forfeitures.

Other Postemployment Benefits

Note to preparer: If the Housing Authority offers postemployment benefits other than pension benefits to retirees, please see the City of Dogwood Other Postemployment Benefit note. If Other Postemployment Benefits are offered, RSI should be included.

Long-Term Debt

On April 1, 2015, the Authority received a loan of \$450,000 at 5.0% from Dogwood Bank to construct housing units for the Home Ownership Program. Payments of \$43,353 for principal and accrued interest are due April 1, 2017 and each April 1st thereafter. The note will be fully retired in fifteen years or by April 1, 2031. The assets of the Authority are pledged as collateral against the outstanding debt.

\$450,000 Home Ownership Loan	Principal	Interest	Total
2017	\$ 20,854	\$ 22,499	\$ 43,353
2018	21,897	21,456	43,353
2019	22,992	20,361	43,353
2020	24,141	19,212	43,353
2021	25,348	18,005	43,353
2022-2026	147,068	69,697	216,765
2027-2031	187,700	29,070	216,770
Total	\$ 450,000	\$ 200,300	\$ 650,300

On October 1, 2004, a permanent project note in the amount of \$1,000,000 was sold to HUD to modernize the Low Rent Housing Program housing project. The note bears interest at the rate of 6% annually, and is to be fully retired on October 1, 2024. Payments of \$87,185 for principal and accrued interest are due each October 1st. The assets of the Authority are pledged as collateral against the outstanding debt.

\$1,000,000 Low Rent Housing Note	Principal	Interest	Total
2017	\$ 48,683	\$ 38,502	\$ 87,185
2018	51,604	35,581	87,185
2019	54,701	32,484	87,185
2020	57,983	29,202	87,185
2021	61,462	25,723	87,185
2022-2026	367,253	68,675	435,928
Total	\$ 641,686	\$ 230,167	\$ 871,853

Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Loan	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ 20,854
Note	687,648	-	45,962	641,686	48,683
Net pension liability (LGERS)	25,312	81,017	-	106,329	-
Governmental activity long-term liabilities	\$ 1,162,960	\$ 81,017	\$ 45,962	\$ 1,198,015	\$ 69,537

Conduit Debt

Mortgage revenue bonds related to the original acquisition and later modernization of the public housing developments were issued this fiscal year. These bonds were secured by a deed of trust, security agreement, and assignment of revenues from the project. This obligation does not constitute a debt or pledge of the faith and credit of the Authority and accordingly, has not been reported in the accompanying financial statements.

HUD no longer provides the Authority with debt service information because the Authority has no obligation for this debt. The original amount issued was a total of \$7,440,000.

C. Segment Information

Note to preparer: Be alert if a proprietary fund has revenue-backed debt. Segment information is only required for enterprise funds with revenue-backed debt outstanding if the fund is not presented as major or when the segment does not encompass the entire fund. In disclosing segment information, present the type of goods or services; a condensed statement of net position; a condensed statement of revenues, expenses, and changes in net position; and a condensed statement of cash flows. See paragraph 122 of GASB Statement 34 for more details.

D. Related Party Transactions

Note to preparer: Disclose significant transactions with elected officials, employees, discretely presented component units, and related organizations. Disclosures should include the nature of the relationship, a description and the dollar amount of any transaction, the amount(s) due to or from the related parties, and any other significant details.

E. Interfund Balances and Activity

Balances due to/from other funds at September 30, 2016, consist of the following:

Due from the Home Ownership Fund for the allocation of costs to:

Low Rent Housing Fund	\$ 400
Section 8 Housing Assistance Payments Fund	40
Total	<hr/> \$ 440

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.

Note to preparer: All interfund balances are considered essential to fair presentation at the basic financial statement level and should be included in the notes to the financial statements. For interfund balances, amounts due from other funds by individual major fund, non-major governmental funds in the aggregate, non-major enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; the purpose for those balances; and any amounts that are not expected to be repaid within one year should be disclosed in the notes. The staff of the State and Local Government Division prefers that internal balances be listed by individual fund names.

F. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Authority has worker's compensation coverage up to statutory limits and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims in excess of \$250,000 for worker's compensation, up to \$5 million limit and reinsured for annual employee health claims in excess of \$150,000.

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 the remaining employees who have access to inventories in the amount of \$100,000.

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.

G. Claims and Judgments

At September 30, 2016, the Authority was a defendant to various lawsuits; however, no provision was made in the audited financial statements for any contingent liabilities. In the opinion of management and the Authority attorney, the ultimate outcome of these legal matters will not have a materially adverse effect on the Authority's financial position.

H. Implementation of New Governmental Accounting Standards Board Statement

The Authority implemented Governmental Accounting Standards Board (GASB) statement 72, *Fair Value Measurement and Application*, in the fiscal year ending September 30, 2016. The statement requires the Authority to categorize investments within the fair value hierarchy and disclose the valuation techniques used to measure fair value.

Required
Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

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Dogwood Housing Authority
Dogwood Housing Authority's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Four Fiscal Years *

Local Government Employees' Retirement System

	Fiscal Year Ending September 30			
	2016	2015	2014	2013
Dogwood Housing Authority's proportion of the net pension liability (asset) (%)	0.50100%	0.00564%	0.00534%	0.00510%
Dogwood Housing Authority's proportion of the net pension liability (asset) (\$)	\$ 106,329	\$ 25,312	\$ (29,472)	\$ 61,475
Dogwood Housing Authority's covered payroll	\$ 316,775	\$ 279,441	\$ 306,668	\$ 280,994
Dogwood Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.57%	9.06%	(9.61%)	21.88%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Note to preparer: Information is not required to be presented retroactively. This schedule will NOT present 10 years' worth of information until fiscal year 2024.

Note to preparer: Units that report to ORBIT under more than one ORBIT account number should present RSI as a total of their ORBIT accounts.

**Dogwood Housing Authority
Dogwood Housing Authority's Contributions
Required Supplementary Information
Last Four Fiscal Years**

Local Government Employees' Retirement System

	Fiscal Year Ending September 30			
	2016	2015	2014	2013
Contractually required contribution	\$ 21,544	\$ 20,000	\$ 21,911	\$ 19,586
Contributions in relation to the contractually required contribution	21,544	20,000	21,911	19,586
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Dogwood Housing Authority's covered payroll	\$ 318,557	\$ 282,885	\$ 309,915	\$ 282,219
Contributions as a percentage of covered payroll	6.76%	7.07%	7.07%	6.94%

Note to preparer: Information is not required to be presented retroactively. This schedule will NOT present 10 years' worth of information until fiscal year 2024.

Supplementary Information

This section contains additional information required by generally accepted accounting principles, the US Dept of Housing and Urban Development, and/or is included to demonstrate compliance with North Carolina General Statutes.

Note to preparer: The illustrative financial statements show only one non-major fund. If there are two or more non-major funds, then a combining balance sheet or combining statement of net position should be inserted following this page. A combining statement of revenues, expenses, and changes in fund net position, as well as a combining statement of cash flows for the individual non-major funds should also be inserted.

A budget to actual statement should be included for all funds which adopt a budget. These statements demonstrate compliance with NC General Statutes 159-42(c) and (d).

Dogwood Public Housing Authority
Low Rent Public Housing Program
Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)
ACC # - ZZZ1
For The Year Ended September 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Dwelling rental		\$ 231,400	
Excess utilities		1,700	
Non-dwelling rental		500	
HUD operating grant		318,000	
Total operating revenues	<u>323,400</u>	<u>551,600</u>	<u>228,200</u>
Operating expenditures:			
Administration:			
Salaries and employee benefits		81,439	
Staff training		3,410	
Supplies		1,400	
Travel		300	
Accounting and auditing fees		6,000	
Total administration	<u>89,500</u>	<u>92,549</u>	<u>(3,049)</u>
Tenant services:			
Contracted services		2,103	
Supplies		605	
Total tenant services	<u>2,800</u>	<u>2,708</u>	<u>92</u>
Utilities:			
Telephone		1,900	
Electricity		23,623	
Water		6,200	
Total utilities	<u>32,000</u>	<u>31,723</u>	<u>277</u>
Ordinary maintenance:			
Salaries and employee benefits		60,880	
Materials		7,770	
Contracted service		5,105	
Total ordinary maintenance	<u>82,000</u>	<u>73,755</u>	<u>8,245</u>
Protective Services:			
Contracted services		3,050	
Material		450	
Total protective services	<u>3,700</u>	<u>3,500</u>	<u>200</u>

(continued)

Dogwood Public Housing Authority
Low Rent Public Housing Program
Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)
ACC # - ZZZ1
For The Year Ended September 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
General expense:			
Payment in lieu of taxes		1,090	
Insurance		22,001	
Collection losses		1,100	
Total general expense	24,200	24,191	9
Debt Service:			
Debt service - principal	46,000	45,962	38
Debt service - interest expense	35,000	32,484	2,516
Total debt service	81,000	78,446	2,554
Non-routine maintenance:			
Extraordinary maintenance		3,751	
Casualty losses		2,372	
Total non-routine maintenance	8,200	6,123	2,077
Total operating expenditures	323,400	312,995	10,405
Net operating income (loss)	-	238,605	238,605
Other revenues (expenditures):			
Interest income	-	1,300	1,300
Revenue over (under) expenditures	\$ -	\$ 239,905	\$ 239,905
Reconciliation of modified accrual basis net income to full accrual basis net income:			
Revenue over expenditures - operating fund (as above)		\$ 239,905	
Depreciation expense		(245,000)	
Increase in deferred outflows of resources - pensions		61,153	
Increase in net pension liability		(72,915)	
Decrease in deferred inflows of resources - pensions		3,119	
Increase in accrued annual leave		(300)	
Change in net position - full accrual basis (Exhibit B)		\$ (14,038)	

Dogwood Public Housing Authority
Housing Choice Voucher Program
Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)
ACC # - ZZZZ
For The Year Ended September 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Operating subsidy - HUD		76,638	
Total operating revenues	<u>78,900</u>	<u>76,638</u>	<u>(2,262)</u>
Operating expenditures:			
Administration:			
Salaries and employee benefits		7,980	
Supplies		110	
Accounting and auditing fees		400	
Total administration	<u>8,700</u>	<u>8,490</u>	<u>210</u>
Utilities:			
Telephone		340	
Electricity		200	
Water		60	
Total utilities	<u>700</u>	<u>600</u>	<u>100</u>
Ordinary maintenance:			
Materials		75	
Contracted services		875	
Total ordinary maintenance	<u>1,000</u>	<u>950</u>	<u>50</u>
General expense:			
Insurance		910	
Total general expense	<u>1,000</u>	<u>910</u>	<u>90</u>
Housing assistance payments	<u>66,000</u>	<u>65,890</u>	<u>110</u>
Total operating expenditures	<u>77,400</u>	<u>76,840</u>	<u>560</u>
Nonoperating revenue (expenditures)			
Interest income	<u>100</u>	<u>(202)</u>	<u>(302)</u>
Revenue over (under) expenditures	<u>\$ 1,600</u>	<u>\$ (202)</u>	<u>\$ (2,004)</u>
Reconciliation of modified accrual basis net income to full accrual basis net income:			
Revenue over expenditures - modified accrual basis		\$ (202)	
Depreciation		(3,400)	
Increase in deferred outflows of resources - pensions		2,718	
Increase in net pension liability		(3,241)	
Decrease in deferred inflows of resources - pensions		139	
Increase in accrued annual leave		(150)	
Change in net position - full accrual basis (Exhibit B)		<u>\$ (4,136)</u>	

Dogwood Public Housing Authority
Capital Fund Program
Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)
ACC # ZZZ1
For The Year Ended September 30, 2016

	Project Budget	Prior Years	Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues:					
HUD Capital Grants	\$ 500,000	\$ -	\$ 440,000	\$ 440,000	\$ (60,000)
Expenditures:					
Building improvements	870,000	450,000	400,000	850,000	20,000
Purchase of equipment	80,000	-	20,000	20,000	60,000
Total	<u>950,000</u>	<u>450,000</u>	<u>420,000</u>	<u>870,000</u>	<u>80,000</u>
Other financing sources:					
Amounts received from debt issuance	450,000	450,000	-	450,000	-
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>
Revenue over expenditures			<u>\$ 20,000</u>		
Capital expenditures capitalized			420,000		
Depreciation expense			<u>(6,255)</u>		
Change in net position (Exhibit B)			<u>\$ 433,745</u>		

Dogwood Public Housing Authority
Home Ownership Program
Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)
ACC # - ZZZ1
For The Year Ended September 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Dwelling rental		\$ 62,600	
Operating subsidy - HUD		38,975	
Total operating revenues	<u>93,000</u>	<u>101,575</u>	<u>8,575</u>
Operating expenditures:			
Administration:			
Salaries and employee benefits		63,420	
Supplies		500	
Accounting and auditing fees		2,000	
Total administration	<u>65,700</u>	<u>65,920</u>	<u>(220)</u>
Tenant services:			
Contracted services		550	
Supplies		57	
Total tenant services	<u>700</u>	<u>607</u>	<u>93</u>
Utilities:			
Telephone		178	
Electricity		300	
Water		75	
Total utilities	<u>600</u>	<u>553</u>	<u>47</u>
Ordinary maintenance:			
Salaries and employee benefits		1,800	
Materials		306	
Total ordinary maintenance	<u>2,000</u>	<u>2,106</u>	<u>(106)</u>
General expense:			
Payment in lieu of taxes		914	
Insurance		1,000	
Total general expense	<u>2,000</u>	<u>1,914</u>	<u>86</u>
Debt service:			
Interest expense		21,979	
Total debt service	<u>22,000</u>	<u>21,979</u>	<u>21</u>
Total operating expenditures	<u>93,000</u>	<u>93,079</u>	<u>(79)</u>
Net operating loss	<u>-</u>	<u>8,496</u>	<u>8,496</u>

(continued)

Dogwood Public Housing Authority
Home Ownership Program
Schedule of Revenues and Expenditures - Budget to Actual (NON-GAAP)
ACC # - ZZZ1
For The Year Ended September 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other revenue			
Interest income		100	
Nonoperating revenue (expenditures)	-	100	100
Revenue over expenditures	<u>\$ -</u>	<u>\$ 8,596</u>	<u>\$ 8,596</u>
Reconciliation of modified accrual basis net income to full accrual basis net income:			
Revenue over expenditures - modified accrual basis		\$ 8,596	
Depreciation expense		(3,375)	
Decrease in receivables		(150)	
Increase in deferred outflows of resources - pensions		4,077	
Increase in net pension liability		(4,861)	
Decrease in deferred inflows of resources - pensions		208	
Increase in accrued annual leave		<u>(4,817)</u>	
Change in net position - full accrual basis (Exhibit B)		<u>\$ (322)</u>	

Dogwood Public Housing Authority
Statement and Certification of Actual Modernization Costs
Capital Fund Program

Annual Contributions Contract ACC - #ZZZ1

For The Year Ended September 30, 2016

1. The actual modernization costs of AB-XYZ are as follows:

	Project XX	Total
Funds approved	\$ 25,000	\$ 25,000
Funds expended	<u>25,000</u>	<u>25,000</u>
Excess (deficiency) of funds approved	<u>\$ -</u>	<u>\$ -</u>
Funds advanced HUD grants	\$ 25,000	\$ 25,000
Funds expended	<u>25,000</u>	<u>25,000</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>	<u>\$ -</u>

2. Costs audited during the current audit period totaled \$2,597.
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.

Note to Preparer: Please check with the Real Estate Assessment Center of the Department of Housing and Urban Development for the most recent guidance for reporting this information for public housing authorities.

Financial Data Schedule

The Financial Data Schedule (FDS), a Department of Housing and Urban Development required document, should be inserted at this point. The staff of the Local Government Commission will look for this document as evidence of compliance with federal guidelines. The data in the schedule will typically be used only to resolve differences noted during other review procedures.

Note to preparer: The preparer should refer to the Real Estate Assessment Center (REAC) website
https://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/reac
for the most current version of the FDS and guidance on the correct classification of financial data.

Single Audit Section

Note to preparer: More detailed information and examples of the reports, schedules, and other Single Audit information can be found on the State Treasurer's website, https://www.nctreasurer.com/slg/lfm/audit_acct/single_audit/Pages/default.aspx .