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.

**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

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.

**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)

## Authority’s Changes in Net Position

Figure 2



# 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

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

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.