

**HOUSING AUTHORITY OF HARTSVILLE**  
Hartsville, South Carolina

**MANAGEMENT'S DISCUSSION & ANALYSIS  
AND AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

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**HOUSING AUTHORITY OF HARTSVILLE**  
Hartsville, South Carolina

**REPORT ON EXAMINATION  
OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2016**



**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION  
AND OTHER INFORMATION – STATE OR LOCAL GOVERNMENTAL ENTITY**

*INDEPENDENT AUDITOR'S REPORT*

Board of Commissioners  
Housing Authority of Hartsville  
Hartsville, South Carolina 29550

Columbia Office  
Public Housing Division  
Strom Thurmond Federal Building  
1835 Assembly Street, 13<sup>th</sup> Floor  
Columbia, South Carolina 29201-2480

**Report on Financial Statements**

We have audited the accompanying financial statements of the Housing Authority of Hartsville as of and for the year ended September 30, 2016, and the related notes to the 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 an opinion 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 financial audits contained in the *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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

***Opinion***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of Hartsville, as of September 30, 2016, and the respective changes in financial position and, where appropriate, cash flows for the year then ended in conformity 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 Management's Discussion and Analysis, as listed in the table of contents, should 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 inquires 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 procedure did not provide us with sufficient evidence to express an opinion or provide any assurance.

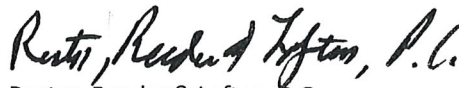
### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Housing Authority of Hartsville. The accompanying Schedule of Expenditures of Federal Awards as required by Uniform Guidance, as well as the Financial Data Schedule and Special Reports 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

This 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic 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 May 8, 2017 on our consideration of the Housing Authority'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Rector, Reeder & Lofton, P.C.  
Certified Public Accountants

Lawrenceville, Georgia  
May 8, 2017

**HOUSING AUTHORITY OF HARTSVILLE  
Hartsville, South Carolina**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2016**

**THE HOUSING AUTHORITY OF HARTSVILLE, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**Management's Discussion and Analysis**

The Hartsville Housing Authority's (the Authority's) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent years' challenges), and (d) identify individual program issues or concerns.

The Management's Discussion and Analysis (MD&A) provides a narrative that should be read in conjunction with the Authority's financial statements to obtain a full understanding of its financial position.

The MD&A is presented in accordance with the requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). We have provided prior year data that allows the reader to gain an adequate understanding of the Authority's annual operating results and financial position as of September 30, 2016.

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

**Financial Highlights**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,356,989 (net position) as opposed to \$3,461,723 for the prior fiscal year.
- The Authority's cash and cash equivalents balance as of September 30, 2016 was \$831,556 representing an increase of \$112,456 or 15.64% from September 30, 2015.
- The Authority had total revenues of \$1,474,220 and total expenses of \$1,578,954 for the year ended September 30, 2016.
- The Authority operates 100 units of conventional public housing and 210 vouchers in the City of Hartsville, South Carolina.

## **Overview of the Financial Reports**

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

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

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

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

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



## Analysis of Authority-wide Net Position (Statement of Net Position)

Housing Authority of Hartsville  
Comparative Statement of Net Position  
TABLE I

	2016	2015	Total Change	% Change
Cash & Cash Equivalents	\$ 831,556	\$ 719,091	\$ 112,465	15.64%
Other Current Assets	30,013	36,946	(6,933)	-18.77%
Capital Assets	<u>2,546,685</u>	<u>2,767,195</u>	<u>(220,510)</u>	-7.97%
<b>Total Assets</b>	<b><u>\$ 3,408,254</u></b>	<b><u>\$ 3,523,232</u></b>	<b><u>\$ (114,978)</u></b>	<b>-3.26%</b>
Current Liabilities	\$ 45,417	\$ 53,557	\$ (8,140)	-15.20%
Noncurrent Liabilities	<u>5,848</u>	<u>7,952</u>	<u>(2,104)</u>	-26.46%
<b>Total Liabilities</b>	<b><u>51,265</u></b>	<b><u>61,509</u></b>	<b><u>(10,244)</u></b>	<b>-16.65%</b>
Investment in Capital Assets	2,546,685	2,767,195	(220,510)	-7.97%
Restricted	8,727	-	8,727	100.00%
Unrestricted	<u>801,577</u>	<u>694,528</u>	<u>107,049</u>	15.41%
<b>Total Net Position</b>	<b><u>3,356,989</u></b>	<b><u>3,461,723</u></b>	<b><u>(104,734)</u></b>	<b>-3.03%</b>
<b>Total Liabilities &amp; Net Position</b>	<b><u>\$ 3,408,254</u></b>	<b><u>\$ 3,523,232</u></b>	<b><u>\$ (114,978)</u></b>	<b>-3.26%</b>

The Authority continues to maintain a good quick ratio in fiscal year (FY) 2016. The quick ratio compares available current assets to current liabilities and is an indication of the ability to pay current obligations. The quick ratio is 18.97 to 1, compared to 14.12 to 1 at September 30, 2015.

Cash and cash equivalents increased by \$112,456 or 15.64%, to \$831,556 due to the results of current year operations. This is illustrated further in the Statement of Cash Flows. Other current assets decreased by \$6,933 or 18.77%. Accounts receivable from HUD decreased by \$3,917 or 94.93% which is due to the timing of receivables at year end. There was also a decrease in inventory of \$4,678 or 63.56% due to increased effort by the Authority to turnaround units and to utilize Capital Grant funds. These decreases were offset by an increase in tenant accounts receivables of \$765 or 47.72%, which is due to a small number of tenants ending the year with a higher than average balance. There is also a refund due from the South Carolina Department of Revenue, which increased miscellaneous accounts receivables by \$107 or 100.00%. Capital Assets decreased by \$220,510 or 7.97% which is described in detail in the Capital Assets section of this report.

Total liabilities decreased by \$10,244 or 16.65%, due to decreases in both current and noncurrent liabilities of \$8,140 or 15.20%, and \$2,104 or 26.46%, respectively. More specifically, current liabilities decreased due to decreases in accounts payable of \$4,455 or 28.75% and accrued liabilities of \$2,788 or 14.81%, which are mainly due to timing differences at year end. Tenant security deposits also decreased by \$1,777 or 9.46%. However, there was an increase in unearned revenue of \$880 or 193.41%. Noncurrent liabilities decreased by \$2,104 or 26.46%, due to a decrease in accrued compensated absences – long-term.

Of the Authority's net position, approximately 75.86% are in capital assets, compared to 79.94% at September 30, 2015. Total Net Position decreased by \$104,734 or 3.03%, which is outlined in detail on the Statement of Revenues, Expenses and Changes in Net Position. While Restricted HAP Equity was totally depleted during FY 2015, the balance at September 30, 2016 had increased to \$8,727.

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

The Authority's net of Revenue over Expenses was a net loss of \$104,734 in fiscal year FY 2016, which was \$61,751, or 143.66%, more of a loss than the prior year. The net decrease in net position for FY 2016, in comparison to the net decrease for FY 2015, was primarily due to the net increase in tenant rental revenue, operating and capital grants offset by the increase in operating expenses.

The following table illustrates changes in revenues and expenses from FY 2015 to FY 2016.

**Housing Authority of Hartsville**  
**Comparative Statement of Revenues, Expenses and Changes in Net Position**  
**TABLE II**

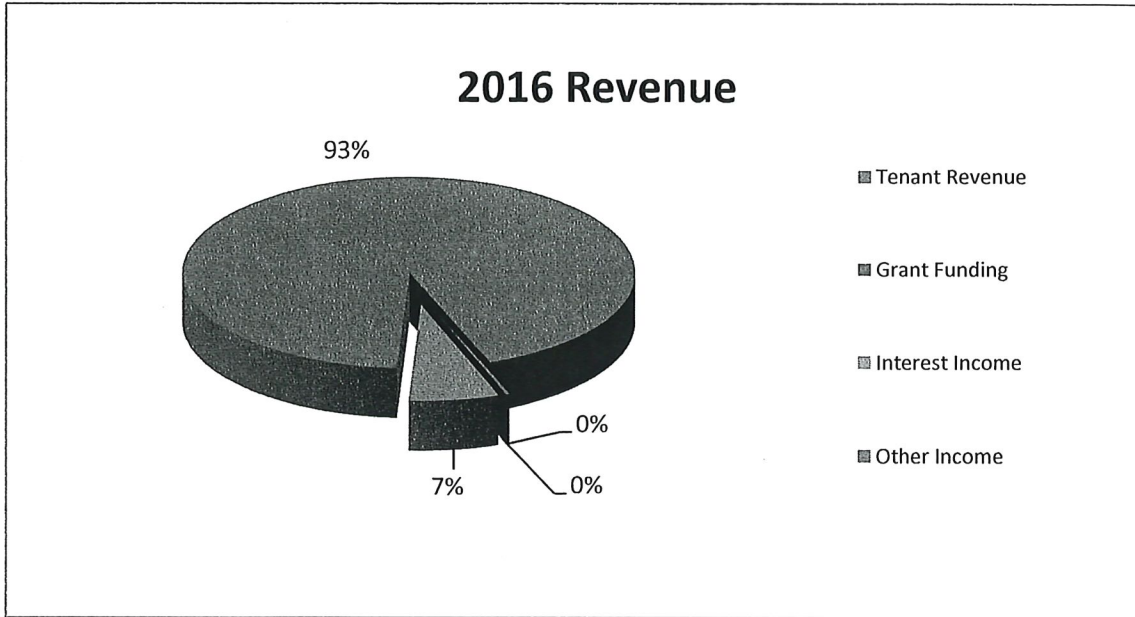
	2016	2015	Total Change	% Change
<b>Revenue</b>				
Tenant Revenue	\$ 94,524	\$ 89,151	\$ 5,373	6.03%
Grant Funding	1,376,094	1,296,121	79,973	6.17%
Interest income	502	496	6	1.21%
Other Income	3,100	2,850	250	8.77%
<b>Total Revenue</b>	<b>1,474,220</b>	<b>1,388,618</b>	<b>85,602</b>	<b>6.16%</b>
<b>Expenses</b>				
Administration	204,189	194,863	9,326	4.79%
Tenant Services	12,100	10,694	1,406	13.15%
Utilities	12,035	13,521	(1,486)	-10.99%
Maintenance	253,812	205,706	48,106	23.39%
General expense	42,866	35,159	7,707	21.92%
Housing assistance payments	791,610	715,380	76,230	10.66%
Depreciation	262,342	256,278	6,064	2.37%
<b>Total Expenses</b>	<b>1,578,954</b>	<b>1,431,601</b>	<b>147,353</b>	<b>10.29%</b>
<b>Net Position</b>				
Change in Net Position	(104,734)	(42,983)	(61,751)	143.66%
Beginning Net Position	3,461,723	3,504,706	(42,983)	-1.23%
<b>Ending Net Position</b>	<b>\$ 3,356,989</b>	<b>\$ 3,461,723</b>	<b>\$ (104,734)</b>	<b>-3.03%</b>

During the year, total revenue increased by \$85,602 or 6.16% mainly due to an increase in grant funding.

Revenues from Operating Grants increased by \$157,241 or 13.20%, while revenues from Capital Grants decreased by \$77,268 or 73.51%. Because Capital Grant funding can be expended over a twenty-four month period, a decrease in Capital Grant funds received is based on agency planned expenditures and not program funding.

Tenant revenue increased by \$5,373 or 6.03% from the prior year mainly due to normal annual fluctuations in rental income.

Other income increased by \$250 or 8.77%.



Total expenses increased by \$147,353 or 10.29% from FY 2015 to FY 2016.

Administration costs makes up 12.93% of the expenses. This compares to 13.61% in FY 2015. Administration costs increased by \$9,326 or 4.79%, primarily due to increases in salaries and benefits of \$4,959 or 3.56% and office expenses of \$3,520 or 15.09%.

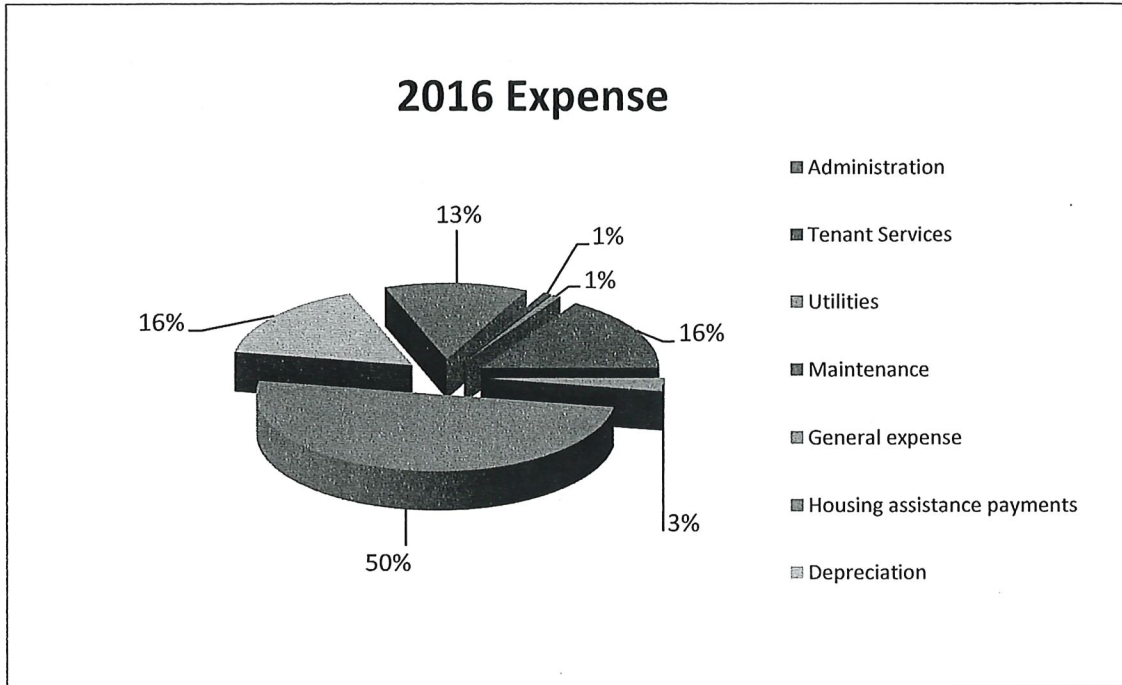
Tenant services increased by \$1,406 or 13.15% due to the increased cost in providing services. Utilities decreased by \$1,486 or 10.99%.

The cost of ordinary maintenance makes up 16.07% of expenses, compared to 14.37% in FY 2015. Ordinary maintenance cost increased by \$48,106 or 23.39%, primarily due the use of Capital Fund grants for unit renovation and repair, which caused an increase in materials expense of \$38,368 or 49.68% and contract costs of \$2,719 or 9.28%. Labor and benefits also increased by \$7,019 or 7.08%.

General expenses increased by \$7,707 or 21.92%. Compensated absences increased by \$4,735 or 148.25% due to an increase in benefits earned by employees. Bad debt expense increased by \$2,068 or 100.05%, due to unanticipated write-offs of tenant accounts during the year.

Housing assistance payments make up 50.14% of expenses, compared to 49.97% in FY 2015. Housing assistance payment expenses increased by \$76,230 or 10.66%, primarily due to an increase HAP funding.

Depreciation expense makes up 16.61% of the expenses. This compares to 17.90% in FY 2015. Depreciation expense increased by \$6,064 or 2.37%, due to more capital assets being depreciated.



### Capital Assets

During FY 2016, the Authority had total capital asset additions of \$41,832, consisting of Capital Fund grant additions of \$27,838, additions from operations of \$13,994, and depreciation expense of \$262,342. This decrease in capital additions was due to decreased capital funding. Overall, a net decrease of \$220,510 or 7.97%, in capital assets was experienced during the fiscal year.

**Housing Authority of Hartsville  
Comparative Statement of Capital Assets  
TABLE III**

	2016	2015	Total Change	% Change
Land	\$ 205,089	\$ 205,089	-	0.00%
Buildings & improvements	6,875,006	6,843,223	31,783	0.46%
Furniture & equipment	248,749	260,150	(11,401)	-4.38%
Construction in progress	3,235	-	3,235	100.00%
	<u>7,332,079</u>	<u>7,308,462</u>	<u>23,617</u>	<u>0.32%</u>
Accumulated Depreciation	<u>(4,785,394)</u>	<u>(4,541,267)</u>	<u>(244,127)</u>	<u>5.38%</u>
<b>Total Capital Assets</b>	<b><u>\$ 2,546,685</u></b>	<b><u>\$ 2,767,195</u></b>	<b><u>\$(220,510)</u></b>	<b><u>-7.97%</u></b>

The following activities affected the capital asset balances during the fiscal year:

Balance as of October 1, 2015	\$	2,767,195
Additions from Capital Funds		27,838
Additions from Operations		13,994
Depreciation expense		<u>(262,342)</u>
Balance as of September 30, 2016	\$	<u>2,546,685</u>

**Debt Outstanding**

As of September 30, 2016, the Authority had no outstanding debt.

**Economic Factors**

Several significant economic factors are present that may impact the Authority in the future.

- Local inflationary, recessionary and employment trends, which can affect resident incomes and, therefore, the amount of rental income. The local (Darlington County) unemployment rate for September 2016 was 5.9%, compared to 6.8% for September 2015, which is 0.90 percentage points lower than prior year.
- Congressional funding of the Department of Housing and Urban Development – The Authority's eligibility for calendar year 2016 was \$387,444. HUD provided funding at only 85.36% of the eligible amount in 2015 and 90.21% in 2016. Due to the proration of funding, the Authority will receive approximately \$349,513 for calendar year 2016.

**Financial Contact**

The annual financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's operations. Questions concerning any information provided in this report or requests for additional information should be addressed to:

Sylvia McElveen, Executive Director  
Housing Authority of Hartsville  
1301 South 5<sup>th</sup> Street  
Hartsville, SC 29550  
(843) 332-1583  
Email: [smcelveen@hah-sc.com](mailto:smcelveen@hah-sc.com)

**HOUSING AUTHORITY OF HARTSVILLE  
Hartsville, South Carolina**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

**HOUSING AUTHORITY OF HARTSVILLE**  
**Hartsville, South Carolina**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**



**LIABILITIES & NET POSITION**

**Current Liabilities**

Accounts payable	\$ 11,042
Accrued liabilities	16,035
Unearned revenue	1,335
Tenant security deposits	<u>17,005</u>
 Total Current Liabilities	 <u>45,417</u>

**Noncurrent Liabilities**

Accrued compensated absences	<u>5,848</u>
 Total Noncurrent Liabilities	 <u>5,848</u>

TOTAL LIABILITIES	<u>51,265</u>
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**NET POSITION**

Investment in Capital Assets	2,546,685
Restricted	8,727
Unrestricted	<u>801,577</u>

TOTAL NET POSITION	<u>3,356,989</u>
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<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ <u><u>3,408,254</u></u></b>
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**HOUSING AUTHORITY OF HARTSVILLE**  
**Hartsville, South Carolina**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**Operating Revenues**

Dwelling rent	\$	94,524
Governmental grants & subsidy		1,348,256
Other income		3,100
<b>Total Operating Revenues</b>		<b>1,445,880</b>

**Operating Expenses**

Administration		204,189
Tenant services		12,100
Utilities		12,035
Maintenance & operations		253,812
General expense		42,866
Housing assistance payments		791,610
Depreciation expense		262,342
<b>Total Operating Expense</b>		<b>1,578,954</b>

<b>Net Operating Income/(Loss)</b>		<b>(133,074)</b>
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**Nonoperating Revenues/(Expenses)**

Investment income		502
<b>Net Nonoperating Revenues/(Expenses)</b>		<b>502</b>

<b>Net Income/(Loss) before capital contributions</b>		<b>(132,572)</b>
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Capital grants		27,838
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<b>Increase/(Decrease) in Net Position</b>		<b>(104,734)</b>
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Total Net Position - beginning		3,461,723
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Total Net Position - ending	\$	<b>3,356,989</b>
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The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF HARTSVILLE

Hartsville, South Carolina

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$	97,624
Governmental grants & subsidy - operations		1,348,256
Payments to suppliers		(266,959)
Payments for housing assistance		(791,610)
Payments to employees		(261,354)
NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES		<u>125,957</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received		<u>502</u>
NET CASH PROVIDED/(USED) FROM INVESTING ACTIVITIES		<u>502</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Grant revenue - capital grants		27,838
Acquisition of capital assets - capital grants		(27,838)
Acquisition of capital assets - operating		<u>(13,994)</u>
NET CASH PROVIDED/(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		<u>(13,994)</u>

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		112,465
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>719,091</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$	<u><u>831,556</u></u>

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Income/(Loss) from operations	\$	(133,074)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation		262,342
Decrease (Increase) in accounts receivable		3,045
Decrease (Increase) in prepaid expenses		(790)
Decrease (Increase) in inventory		4,678
Increase (Decrease) in accounts payable		(4,455)
Increase (Decrease) in accrued liabilities		(4,892)
Increase (Decrease) in unearned revenue		880
Increase (Decrease) in tenants security deposits		<u>(1,777)</u>
NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	\$	<u><u>125,957</u></u>

The accompanying notes are an integral part of the financial statements.

**HOUSING AUTHORITY OF HARTSVILLE**  
**Hartsville, South Carolina**

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY:**

**1. Introduction:**

The financial statements of the Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). The following summary of the more significant accounting policies is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

**2. Reporting Entity:**

The Housing Authority of Hartsville ("The Authority") is a public body created under the General Statutes of South Carolina. The Authority was created for the purpose of providing safe and sanitary housing for the low-income citizens of Hartsville, South Carolina.

The Board of Commissioners of the Authority is appointed by the Mayor of Hartsville but the Authority designates its own management. Hartsville provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the Board is appointed by Hartsville, no other criteria established by Section 2100 and 2600 of the Codification of Governmental Accounting Standards Board, the Financial Accounting Standards Board, and Governmental Accounting Standards Board Statement No. 39 for inclusion of the Authority in Hartsville's financial statements are met. Therefore, a separate financial report is prepared for the Authority. All of the operations of the Authority are included in the audited financial statements and there are no operations or activities which have been excluded.

Included within the reporting entity:

Governmental Funds:	Contract	Units
Low-Income Housing	A-3450	100
Section 8 Housing Choice Vouchers	A-3499	<u>210</u>
		<u>310</u>
Other Activities:		
Capital Fund Program		

Description of a Public Housing Authority

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

**HOUSING AUTHORITY OF HARTSVILLE**  
Hartsville, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)**

**2. Reporting Entity: (Cont'd)**

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

The Section 8 Housing Choice Voucher Program provides rental supplement to the owners of existing private housing who rent to qualified 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.

Basis of Accounting - The Authority uses the accrual basis of accounting for all funds. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Basis of Presentation - The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with the Proprietary Fund's activities are included on the Statement of Net Position. Proprietary Fund equity is segregated into three broad components: Investment in Capital Assets, Restricted and Unrestricted. The following are the Authority's Proprietary Fund Types:

Enterprise fund - This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided.

Financial Accountability - The Authority is responsible for its debts, does not impose a financial burden on Hartsville and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Imposition of Will - The City has no influence over the management, budget, or policies of the Authority. The Authority's Board of Commissioners has the responsibility to significantly influence the Authority's operations. This includes, but is not limited to, adoption of the budget, personnel management, sole title to, and residual interest in all assets (including facilities and properties), signing contracts, issuing bonds, and deciding which programs are to be provided.

**HOUSING AUTHORITY OF HARTSVILLE**  
Hartsville, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)**

**2. Reporting Entity: (Cont'd)**

On the basis of the application of these criteria, the Authority is a legally separate entity that is fiscally independent of other governments, and there are no other entities that are to be reported as component units neither of the Authority nor for the Authority to be included in Hartsville's financial reports therefore, the Authority reports independently. During the review of the Authority's budgets, annual contributions contract, minutes of the Board of Commissioner's meetings, cash receipts and cash disbursements for the reporting period disclosed that the Authority operated the following programs under Annual Contributions Contracts:

**Low Income Public Housing** - Funding for the federal housing projects was acquired through advances from HUD. The objective of the program is to provide decent, safe, and sanitary housing and related facilities for eligible low-income families and the elderly.

**Capital Fund Program** - The objective of this program is to improve the physical condition of the Low-Income Public Housing units and upgrade the management of the program.

**Housing Choice Voucher Program** - The objective of this program is to provide housing for eligible low-income families through housing assistance payments to private landlords.

**3. Revenues and Expenses:**

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority's operating activities including rental related income, interest income and other sources of revenues are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding for capital and operating expenses.

**4. Encumbrances:**

Encumbrances represent commitments related to unperformed contracts for goods or services. The Authority does not utilize encumbrance accounting.

**5. Budgets:**

The Authority adopts budgets on the basis of accounting consistent with the basis of accounting for the fund to which the budget applies. The Authority prepares annual operating budgets that are formally adopted by its Governing Board of Commissioners. The budgets for programs funded by HUD form the basis of the Federal Financial Assistance received through HUD.

**6. Inventories:**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenses when consumed rather than when purchased.

**HOUSING AUTHORITY OF HARTSVILLE**  
Hartsville, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)**

**7. Capital Assets and Depreciation:**

Capital assets are stated at historical cost. Donated capital assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures and equipment. All infrastructure assets were capitalized at the conclusion of development then dedicated to the local municipality for maintenance and repairs. Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. The current adopted capitalization threshold is \$500 for both real property and equipment. Depreciation is calculated using the straight-line depreciation method.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Dwelling structures	40 years
Non-dwelling structures	40 years
Dwelling structures improvements	20 years
Furniture and equipment	3-7 years
Vehicles	3-7 years

**8. Collection Losses:**

Collection losses on accounts receivable are expensed, in the appropriate program, on the specific write-off method.

**9. Insurance:**

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of insurance, but, should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the Authority. The Authority secures required insurance coverage through the competitive bid process. As of the date of the fieldwork, the Authority had the required coverage in force.

**10. Cash and Investments:**

- a. The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when purchased to be cash equivalents.
- b. Investments are stated at fair value, except for U. S. Treasury Bills, which are reported at amortized cost. The Authority reports all money market investments having a remaining maturity at time of purchase of one year or less at amortized cost. Investment securities are normally held to maturity at par value and adjustments are made to the investment portfolio to reflect increases/(decreases) in gains made.

**HOUSING AUTHORITY OF HARTSVILLE**  
Hartsville, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)**

**11. Compensated Absences:**

Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leaves. In accordance with GASB Statement No.16, *Accounting for Compensated Absences*, the Authority accrues the liability for those absences that the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation pay is recorded as an expense and related liability in the year earned by employees.

**12. Operating Revenue:**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the non-operating revenue and expense.

**13. The terms of the Board are as follows:**

<u>MEMBER</u>	<u>TERM EXPIRES</u>
Charles Douglas, Chair	October 09, 2021
Phylanda Thomas, Vice-Chair	October 09, 2019
Francine Bachman	October 09, 2018
Lunella Williams	October 09, 2020
Ted Williams	October 09, 2017

In addition to the above Commissioners, the Administrator of the Housing Authority is Sylvia McElveen, who serves on the Board as Secretary and is the Executive Director.

**14. New Pronouncements:**

During FY 2016, the Authority did not implement any new pronouncements.



**HOUSING AUTHORITY OF HARTSVILLE**  
Hartsville, South Carolina

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE B - CASH AND CASH EQUIVALENTS:**

All the deposits of the Housing Authority of Hartsville are made in board-designated official depositories and are secured as required by HUD regulations. The Authority may establish time deposit accounts such as NOW and Super NOW accounts, money accounts and certificates of deposit. Section 401 (e) of the annual contribution contract authorizes the Authority to invest in the following types of securities:

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

At September 30, 2016, the Authority's deposits had a carrying amount of \$831,056 and a bank balances of \$832,899. Of the bank balances held in various financial institutions, \$499,605 was covered by federal depository insurance. The Authority carried \$373,492 of additional collateral during the year with Wells Fargo Bank. At September 30, 2016 the Authority's petty cash/change funds totaled \$500.

**Interest rate risk** - As a means of limiting its exposure to market value losses arising from rising interest rates, the Authority's typically limits its investment portfolio to maturities of 12 months or less. The Housing Authority of Hartsville has no specific policy regarding interest rate risk.

**Credit risk** - The Authority has no policy regarding credit risk.

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

**Concentration of credit risk** - The Authority places no limit on the amount that it may invest in any one issuer. The PHA uses a mix of certificates of deposit and savings accounts for their entire investment portfolio.

As of September 30, 2016, Cash and cash equivalents consisted of the following:

Checking accounts	\$ 581,451
Money market accounts	249,605
Petty Cash/Change Fund	<u>500</u>
	<u>\$ 831,556</u>

**HOUSING AUTHORITY OF HARTSVILLE**  
**Hartsville, South Carolina**

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE B - CASH AND CASH EQUIVALENTS: (Cont'd)**

***Restricted Cash:***

Tenant security deposits	\$ 17,005
HAP equity	<u>8,727</u>

\$ 25,732

**Collateral:**

As of September 30, 2016, the Authority had the following pledged collateral:

Security Type	Cusip	Maturity Date	Pledge Value
FMAC FGPC	3128MMS38	1/1/2030	\$ 373,492

**NOTE C - ACCOUNTS RECEIVABLE:**

Accounts receivable at September 30, 2016, consisted of the following:

Accounts receivable - HUD other projects	\$ 209
Accounts receivable - tenants - dwelling (net of allowance of \$263)	2,368
Accounts receivable - miscellaneous	<u>107</u>

\$ 2,684

**NOTE D - PREPAID CHARGES:**

Prepaid charges at September 30, 2016, consisted of the following:

Prepaid expenses	\$ 24,647
Inventories (net of allowance for obsolete inventory of \$298)	<u>2,682</u>

\$ 27,329

**HOUSING AUTHORITY OF HARTSVILLE**  
**Hartsville, South Carolina**

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE E - CAPITAL ASSETS:**

The following is a summary of changes in the net capital assets during the fiscal year ended September 30, 2016:

	Beginning Balances	Additions / Increases	Transfers	Disposals	Depreciation	Ending Balances
<b>Enterprise Activities</b>						
<b>Capital assets not being depreciated:</b>						
Land	\$ 205,089	\$ -	\$ -	\$ -	\$ -	\$ 205,089
Construction in progress	-	27,838	(24,603)	-	-	3,235
<b>Total capital assets not being depreciated</b>	<u>205,089</u>	<u>27,838</u>	<u>(24,603)</u>	<u>-</u>	<u>-</u>	<u>208,324</u>
Buildings & improvements	6,843,223	12,694	19,089	-	-	6,875,006
Furniture & equipment	260,150	1,300	5,514	(18,215)	-	248,749
<b>Total capital assets being depreciated</b>	<u>7,103,373</u>	<u>13,994</u>	<u>24,603</u>	<u>(18,215)</u>	<u>-</u>	<u>7,123,755</u>
Less accumulated depreciation for:						
Buildings & improvements	4,344,307	-	-	-	241,025	4,585,332
Furniture & equipment	196,960	-	-	(18,215)	21,317	200,062
<b>Total accumulated depreciation</b>	<u>4,541,267</u>	<u>-</u>	<u>-</u>	<u>(18,215)</u>	<u>262,342</u>	<u>4,785,394</u>
<b>Total capital assets being depreciated</b>	<u>2,562,106</u>	<u>-</u>	<u>-</u>	<u>(18,215)</u>	<u>-</u>	<u>2,338,361</u>
<b>Enterprise activity capital assets, net</b>	<u>\$ 2,767,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 2,546,685</u>

A summary of Net Capital Asset Activity for the year ended September 30, 2016 was as follows:

Balance as of September 30, 2015	\$ 2,767,195
Additions - Capital Fund Program	27,838
Additions - Operations	13,994
Depreciation	<u>(262,342)</u>
Balance as of September 30, 2016	<u>\$ 2,546,685</u>

**NOTE F - ACCOUNTS PAYABLE:**

Accounts payable consisted of the following at September 30, 2016:

Accounts payable - vendors	\$ 3,284
Accounts payable - Payments in Lieu of Taxes	7,758
Tenant security deposits	<u>17,005</u>
	<u>\$ 28,047</u>

**HOUSING AUTHORITY OF HARTSVILLE**  
**Hartsville, South Carolina**

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE G - ACCRUED LIABILITIES AND UNEARNED REVENUE:**

Accrued liabilities and unearned revenue consisted of the following at September 30, 2016:

Accrued wages/payroll taxes	\$ 6,228
Accrued compensated absences - current portion	7,929
Accrued liabilities - utilities/other	1,878
Tenants prepaid rent	<u>1,335</u>
	<u>\$ 17,370</u>

**NOTE H - LONG-TERM LIABILITIES:**

Non-current liabilities consisted of the following at September 30, 2016:

Accrued compensated absences - noncurrent portion	<u>\$ 5,848</u>
---	-----------------

	Balance <u>10/1/15</u>	Increases	Decreases	Balance <u>9/30/16</u>	Current Portion of Balance
Compensated absences	\$ <u>11,146</u>	\$ <u>7,929</u>	\$ <u>(5,298)</u>	\$ <u>13,777</u>	\$ <u>7,929</u>

**NOTE I - RESTRICTED NET POSITION:**

As of September 30, 2016, the Authority had \$8,727 in Restricted Net Position. This amount consists of Restricted HAP Equity in the Housing Choice Voucher program.

**NOTE J - RELATED PARTY TRANSACTIONS:**

There were no related party transactions to be reported for the fiscal year ended September 30, 2016.

**NOTE K - PENSION PLAN:**

The Authority provides a defined contribution pension plan through the Housing-Renewal and Local Agency Retirement Plan for eligible full-time employees. The Board of Commissioners authorized participation in the pension plan. The Authority contributes an amount equal to 8.0% of each employee's annual compensation to the plan. Pension expenses (based on employee wages of \$193,713) totaled \$15,497 (all employer contributions, no employee contributions) for the year end September 30, 2016.

Other than the above mentioned pension plan, the Authority does not participate in Other Post-Employment Benefits.

**HOUSING AUTHORITY OF HARTSVILLE**  
**Hartsville, South Carolina**

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE L - PRIOR PERIOD ADJUSTMENTS:**

There were no prior period adjustments during this fiscal year.

**NOTE M - RISK MANAGEMENT:**

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public official's liability forms are used to cover the respective perils. Commercial carriers insure all common perils such as business auto, computer and other miscellaneous policies.

**NOTE N - ECONOMIC DEPENDENCY:**

The PHA Owned Housing program and Housing Choice Voucher program are economically dependent on annual contributions grants from the Federal government. Both programs operate at a loss prior to receiving the contributions and grants.

**NOTE O - CONTINGENCIES:**

The entity is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to federal grantors and/or program beneficiaries.

**NOTE P - IMPAIRMENT OF CAPITAL ASSETS:**

In accordance with financial reporting standards issued by the Government Accounting Standards Board's, Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" requires certain note disclosures. During the fiscal year ended September 30, 2016, the Housing Authority of Hartsville experienced no material impairments.

**NOTE Q - SUBSEQUENT EVENTS:**

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through May 8, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statement.

**HOUSING AUTHORITY OF HARTSVILLE**  
**Hartsville, South Carolina**

**SINGLE AUDIT SECTION**

**YEAR ENDED SEPTEMBER 30, 2016**



**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**

*INDEPENDENT AUDITOR'S REPORT*

Board of Commissioners  
Housing Authority of Hartsville  
Hartsville, South Carolina 29550

Columbia Office  
Public Housing Division  
Strom Thurmond Federal Building  
1835 Assembly Street, 13<sup>th</sup> Floor  
Columbia, South Carolina 29201-2480

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 Housing Authority of Hartsville, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority of Hartsville's basic financial statements, and have issued our report thereon dated May 8, 2017.

**Internal Control Over Financial Reporting**

Management of the Housing Authority of Hartsville is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of Hartsville'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 the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of 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.



Rector, Reeder & Lofton, PC  
Certified Public Accountants

Lawrenceville, Georgia  
May 8, 2017





**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

*INDEPENDENT AUDITOR'S REPORT*

Board of Commissioners  
Housing Authority of Hartsville  
Hartsville, South Carolina 29550

Columbia Office  
Public Housing Division  
Strom Thurmond Federal Building  
1835 Assembly Street, 13<sup>th</sup> Floor  
Columbia, South Carolina 29201-2480

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

We have audited the Housing Authority of Hartsville's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of Hartsville's major federal programs for the year ended September 30, 2016. The Housing Authority of Hartsville'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 each of its major federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Housing Authority of Hartsville'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 Housing Authority of Hartsville'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 federal program. However, our audit does not provide a legal determination on the Housing Authority of Hartsville's compliance with those requirements.

**Opinion on Each Major Federal Program**

In our opinion, the Housing Authority of Hartsville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

## Report on Internal Control Over Compliance

The management of the Housing Authority of Hartsville 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 Housing Authority of Hartsville's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 Uniform Guidance, 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 Housing Authority's internal control over compliance.

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

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

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



Rector, Reeder & Lofton, PC  
Certified Public Accountants

Lawrenceville, Georgia  
May 8, 2017

**HOUSING AUTHORITY OF HARTSVILLE**  
Hartsville, South Carolina

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended September 30, 2015, contained no formal audit findings.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Section I – Summary of Auditor’s Results:**

**Financial Statements**

Type of report issued on the financial statements:	<b>Unmodified</b>
Internal control over financial reporting:	
Material weakness(es) identified?	<b>No</b>
Significant deficiency (ies) identified not considered to be material weaknesses?	<b>None Reported</b>
Noncompliance material to the financial statements noted?	<b>No</b>

**Federal Awards**

Internal controls over major programs:	
Material weakness(es) identified?	<b>No</b>
Significant deficiency (ies) identified not considered to be material weaknesses?	<b>None Reported</b>
Type of report issued on the compliance for major programs:	<b>Unmodified</b>
Any audit findings disclosed that are required to be reported under 2 CFR §200.516(a)?	<b>No</b>
Identification of major programs:	
-CFDA #14.871                      Housing Choice Voucher Program	
Dollar threshold used to distinguish between Type A and Type B programs:	<b>\$750,000</b>
Low Risk Auditee under 2 CFR §200.520?	<b>Yes</b>

**Section II – Financial Statement Findings:**

***Findings related to financial statements in accordance with GAGAS:***

NONE REPORTED

**Section III – Federal Award Findings and Questioned Costs:**

***Findings and questioned costs for Federal Awards as defined in Section .510:***

NONE REPORTED

**HOUSING AUTHORITY OF HARTSVILLE**  
**Hartsville, South Carolina**

**SUPPLEMENTAL INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2016**

**HOUSING AUTHORITY OF HARTSVILLE**  
**Hartsville, South Carolina**

**FINANCIAL DATA SUBMISSION SUMMARY**  
**NET POSITION ACCOUNTS**  
**SEPTEMBER 30, 2016**

<u>Account Description</u>	Low-Rent Public Hsg 14.850	Housing Choice Voucher Program 14.871	Elimination	TOTAL
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
Cash:				
Cash - unrestricted	\$ 651,028	\$ 154,796	\$ 0	\$ 805,824
Cash - restricted	0	8,727	0	8,727
Cash - tenant security deposits	17,005	0	0	17,005
<b>Total Cash</b>	<b>668,033</b>	<b>163,523</b>	<b>0</b>	<b>831,556</b>
Accounts and notes receivables:				
Accounts receivable - HUD	209	0	0	209
Accounts receivable - other government	0	0	0	0
Accounts receivable - miscellaneous	107	0	0	107
Accounts receivable - tenants rents	2,631	0	0	2,631
Allowance for doubtful accounts - tenants	(263)	0	0	(263)
Accounts receivable - fraud recovery	0	0	0	0
Allowance for doubtful accounts - fraud	0	0	0	0
Accrued interest receivable	0	0	0	0
<b>Total receivables - net</b>	<b>2,684</b>	<b>0</b>	<b>0</b>	<b>2,684</b>
Current investments:				
Investments - unrestricted	0	0	0	0
Prepaid expenses and other assets	22,749	1,898	0	24,647
Inventories	2,980	0	0	2,980
Allowance for obsolete inventories	(298)	0	0	(298)
Interprogram due from	6,886	0	(6,886)	0
<b>TOTAL CURRENT ASSETS</b>	<b>703,034</b>	<b>165,421</b>	<b>(6,886)</b>	<b>861,569</b>
<b>NONCURRENT ASSETS:</b>				
Capital Assets:				
Land	205,089	0	0	205,089
Buildings	6,597,926	0	0	6,597,926
Furniture & equipment - admin	229,865	18,884	0	248,749
Improvements	277,080	0	0	277,080
Work in process	3,235	0	0	3,235
Accumulated depreciation	(4,768,376)	(17,018)	0	(4,785,394)
<b>Total capital assets - net</b>	<b>2,544,819</b>	<b>1,866</b>	<b>0</b>	<b>2,546,685</b>
Notes receivable - noncurrent	0	0	0	0
Investment in joint ventures	0	0	0	0
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,544,819</b>	<b>1,866</b>	<b>0</b>	<b>2,546,685</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,247,853</b>	<b>\$ 167,287</b>	<b>\$ (6,886)</b>	<b>\$ 3,408,254</b>

**HOUSING AUTHORITY OF HARTSVILLE**  
**Hartsville, South Carolina**

**FINANCIAL DATA SUBMISSION SUMMARY**  
**NET POSITION ACCOUNTS**  
**SEPTEMBER 30, 2016**

<u>Account Description</u>	Low-Rent Public Hsg 14.850	Housing Choice Voucher Program 14.871	Elimination	TOTAL
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
Cash overdraft	\$ 0	\$ 0	\$ 0	\$ 0
Accounts payable < 90 days	2,700	584	0	3,284
Accrued salaries/payroll withholding	6,228	0	0	6,228
Accrued compensated absences	6,743	1,186	0	7,929
Accrued interest payable	0	0	0	0
Payments in lieu of taxes	0	0	0	0
Accounts payable - other gov.	7,758	0	0	7,758
Tenant security deposits	17,005	0	0	17,005
Unearned revenue	1,335	0	0	1,335
Current portion of L-T debt - capital projects	0	0	0	0
Other current liabilities	0	0	0	0
Accrued liabilities - other	1,878	0	0	1,878
Interprogram (due to)	0	6,886	(6,886)	0
<b>TOTAL CURRENT LIABILITIES</b>	<u>43,647</u>	<u>8,656</u>	<u>(6,886)</u>	<u>45,417</u>
<b>NONCURRENT LIABILITIES:</b>				
Long-term debt, net of current - capital projects	0	0	0	0
Accrued comp. absences - long term	4,916	932	0	5,848
Noncurrent liabilities - other	0	0	0	0
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>4,916</u>	<u>932</u>	<u>0</u>	<u>5,848</u>
<b>TOTAL LIABILITIES</b>	<u>48,563</u>	<u>9,588</u>	<u>(6,886)</u>	<u>51,265</u>
<b>NET POSITION:</b>				
Investment in Capital Assets	2,544,819	1,866	0	2,546,685
Restricted	0	8,727	0	8,727
Unrestricted	654,471	147,106	0	801,577
<b>TOTAL NET POSITION</b>	<u>3,199,290</u>	<u>157,699</u>	<u>0</u>	<u>3,356,989</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 3,247,853</u>	<u>\$ 167,287</u>	<u>\$ (6,886)</u>	<u>\$ 3,408,254</u>

**HOUSING AUTHORITY OF HARTSVILLE**  
Hartsville, South Carolina

**FINANCIAL DATA SUBMISSION SUMMARY**  
**REVENUES, EXPENSES AND CHANGES IN NET POSITION ACCOUNTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Account Description	Low-Rent	Capital Fund	Housing Choice	Elimination	TOTAL
	Public Hsg 14.850	Program 14.872	Voucher Program 14.871		
<b>REVENUES:</b>					
Net tenant rental revenue	\$ 78,189	\$ 0	\$ 0	\$ (4,200)	\$ 73,989
Tenant revenue - other	20,535	0	0	0	20,535
Total tenant revenue	98,724	0	0	(4,200)	94,524
HUD PHA grants - operating	346,788	93,933	907,535	0	1,348,256
HUD PHA grants - capital	0	27,838	0	0	27,838
Management fee	0	0	0	0	0
Asset management fee	0	0	0	0	0
Bookkeeping fee	0	0	0	0	0
Front line service fee	0	0	0	0	0
Other government grants	0	0	0	0	0
Investment income - unrestricted	477	0	25	0	502
Mortgage interest income	0	0	0	0	0
Proceeds from disposition of assets	0	0	0	0	0
Fraud income	0	0	688	0	688
Other revenue	2,412	0	0	0	2,412
Investment income - restricted	0	0	0	0	0
Gain/(loss) on disposition	0	0	0	0	0
<b>TOTAL REVENUES</b>	<b>\$ 448,401</b>	<b>\$ 121,771</b>	<b>\$ 908,248</b>	<b>\$ (4,200)</b>	<b>\$ 1,474,220</b>
<b>EXPENSES:</b>					
<b>Administrative</b>					
Administrative salaries	\$ 71,046	\$ 7,456	\$ 25,876	\$ 0	\$ 104,378
Auditing fees	3,752	1,000	3,168	0	7,920
Management fees	0	0	0	0	0
Bookkeeping fees	0	0	0	0	0
Advertising & marketing	103	0	0	0	103
Employee benefits - administrative	25,388	544	13,831	0	39,763
Office expense	15,494	2,950	12,607	(4,200)	26,851
Legal expense	3,240	0	2,160	0	5,400
Travel expense	830	0	1,286	0	2,116
Other operating - administrative	11,845	0	5,813	0	17,658
Total Administrative Expense	131,698	11,950	64,741	(4,200)	204,189
Asset management fee	0	0	0	0	0
<b>Tenant Services</b>					
Tenant services - salaries	7,447	0	0	0	7,447
Relocation costs	0	0	0	0	0
Employee benefits - tenant services	3,591	0	0	0	3,591
Other tenant services	323	739	0	0	1,062
Total Tenant Services	11,361	739	0	0	12,100
<b>Utilities</b>					
Water	579	0	0	0	579
Electricity	8,931	0	0	0	8,931
Gas	2,037	0	0	0	2,037
Sewer	488	0	0	0	488
Total Utilities Expense	12,035	0	0	0	12,035

**HOUSING AUTHORITY OF HARTSVILLE**  
**Hartsville, South Carolina**

**FINANCIAL DATA SUBMISSION SUMMARY**  
**REVENUES, EXPENSES AND CHANGES IN NET POSITION ACCOUNTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Account Description</u>	Low-Rent Public Hsg 14.850	Capital Fund Program 14.872	Housing Choice Voucher Program 14.871	Elimination	TOTAL
<b>Ordinary Maintenance &amp; Operation</b>					
Labor	62,957	4,727	0	0	67,684
Materials	60,377	55,228	0	0	115,605
Employee benefit contributions	38,491	0	0	0	38,491
Garbage & trash removal contracts	1,396	0	0	0	1,396
Heating & cooling contracts	560	0	0	0	560
Snow Removal contracts	0	0	0	0	0
Elevator maintenance contracts	0	0	0	0	0
Landscape & grounds contracts	0	0	0	0	0
Unit turnaround contracts	2,985	0	0	0	2,985
Electrical contracts	807	0	0	0	807
Plumbing contracts	1,753	0	0	0	1,753
Extermination contracts	8,700	0	0	0	8,700
Janitorial contracts	0	0	0	0	0
Routine maintenance contracts	3,469	0	0	0	3,469
Contract costs - other	2,015	10,347	0	0	12,362
<b>Total Ordinary Maintenance &amp; Operation</b>	<u>183,510</u>	<u>70,302</u>	<u>0</u>	<u>0</u>	<u>253,812</u>
<b>Protective Services</b>					
Protective services - salaries	0	0	0	0	0
Employee benefits - protective services	0	0	0	0	0
Other protective services	0	0	0	0	0
<b>Total Protective Services</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Insurance Premiums</b>					
Property insurance	13,536	0	0	0	13,536
Liability insurance	2,157	0	5	0	2,162
Workmen's compensation	4,666	0	778	0	5,444
Insurance - other	1,902	0	0	0	1,902
<b>Total Insurance Premiums</b>	<u>22,261</u>	<u>0</u>	<u>783</u>	<u>0</u>	<u>23,044</u>
<b>General Expenses</b>					
Other general expense	0	0	0	0	0
Compensated absences	6,743	0	1,186	0	7,929
Payments in lieu of taxes	7,758	0	0	0	7,758
Bad debt - tenant rents	4,135	0	0	0	4,135
Bad debt - mortgages	0	0	0	0	0
<b>Total General Expenses</b>	<u>18,636</u>	<u>0</u>	<u>1,186</u>	<u>0</u>	<u>19,822</u>
<b>Financial Expenses</b>					
Interest expense - mortgage payable	0	0	0	0	0
Interest expense - notes payable	0	0	0	0	0
Amortization - issuance costs	0	0	0	0	0
<b>Total Financial Expenses</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL OPERATING EXPENSE</b>	<u>379,501</u>	<u>82,991</u>	<u>66,710</u>	<u>(4,200)</u>	<u>525,002</u>
<b>EXCESS OPERATING REVENUE</b>	<u>68,900</u>	<u>38,780</u>	<u>841,538</u>	<u>0</u>	<u>949,218</u>



HOUSING AUTHORITY OF HARTSVILLE  
Hartsville, South Carolina

**FINANCIAL DATA SUBMISSION SUMMARY  
REVENUES, EXPENSES AND CHANGES IN NET POSITION ACCOUNTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Account Description</u>	Low-Rent Public Hsg 14.850	Capital Fund Program 14.872	Housing Choice Voucher Program 14.871	Elimination	TOTAL
Other Expenses					
Extraordinary maintenance	0	0	0	0	0
Casualty losses	0	0	0	0	0
Housing assistance payments	0	0	791,610	0	791,610
HAP portability-in	0	0	0	0	0
Depreciation expense	261,292	0	1,050	0	262,342
Total Other Expenses	<u>261,292</u>	<u>0</u>	<u>792,660</u>	<u>0</u>	<u>1,053,952</u>
<b>TOTAL EXPENSES</b>	<b>\$ <u>640,793</u></b>	<b>\$ <u>82,991</u></b>	<b>\$ <u>859,370</u></b>	<b>\$ <u>(4,200)</u></b>	<b>\$ <u>1,578,954</u></b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ <u>(192,392)</u></b>	<b>\$ <u>38,780</u></b>	<b>\$ <u>48,878</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>(104,734)</u></b>
Operating transfer - in	10,942	0	0	(10,942)	0
Operating transfer - out	0	(10,942)	0	10,942	0
Transfer of equity	27,838	(27,838)	0	0	0
Prior period adjustments	0	0	0	0	0
Beginning Net Position	<u>3,352,902</u>	<u>0</u>	<u>108,821</u>	<u>0</u>	<u>3,461,723</u>
Ending Net Position	<b>\$ <u>3,199,290</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>157,699</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>3,356,989</u></b>
Administrative Fund Equity	0	0	148,972	0	148,972
Housing Assistance Payments Equity	0	0	8,727	0	8,727
Units Available	1,200	0	2,520	0	3,720
Units Leased	1,170	0	2,052	0	3,222

**HOUSING AUTHORITY OF HARTSVILLE  
Hartsville, South Carolina**

**SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Type	Federal CFDA #	Expenditures
<b><u>FEDERAL GRANTOR</u></b>			
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT:</u></b>			
<b>Public Housing:</b>			
Low-Rent Public Housing	B - Non-major	14.850	\$ 346,788
Capital Fund Program	B - Non-major	14.872	121,771
<b>Section 8 Housing Assistance Program:</b>			
Housing Choice Vouchers	A - Major	14.871	907,535
<b>TOTAL FEDERAL FINANCIAL AWARDS</b>			<b>\$ 1,376,094</b>
<b>Threshold for Type A &amp; Type B</b>			<b>\$ 750,000</b>

The accompanying notes are an integral part of this schedule.

**HOUSING AUTHORITY OF HARTSVILLE**  
Hartsville, South Carolina

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**NOTE A - BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of Hartsville and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance.

**NOTE B - SUBRECIPIENTS:**

The Housing Authority of Hartsville provided no federal awards to subrecipients during the fiscal year ending September 30, 2016.

**NOTE C - DISCLOSURE OF OTHER FORMS OF ASSISTANCE:**

- The Housing Authority of Hartsville received no federal awards of non-monetary assistance that are required to be disclosed for the year ended September 30, 2016.
- The Housing Authority of Hartsville had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended September 30, 2016.
- The Housing Authority of Hartsville maintains the following limits of insurance as of September 30, 2016:

Property	\$	8,066,450
Liability	\$	1,000,000
Commercial Auto	\$	1,000,000
Data Processing	\$	120,000
Worker Compensation		Statutory
Directors of Officers Liability	\$	1,000,000
Boiler & Machinery	\$	5,000,000

Settled claims have not exceeded the above commercial insurance coverage limits over the past three years.

**HOUSING AUTHORITY OF HARTSVILLE**  
**Hartsville, South Carolina**

**SUPPLEMENTAL INFORMATION**  
**SPECIAL REPORTS**

**YEAR ENDED SEPTEMBER 30, 2016**

HOUSING AUTHORITY OF HARTSVILLE  
Darlington, South Carolina

**STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**Annual Contributions Contract A-2453**

**PHASE SC16P029501-14**

1 The Actual Modernization Costs of Phase SC16P029501-14 were:

Funds Approved	\$ 122,556
Funds Expended	<u>122,556</u>
Excess of Funds Approved	<u><u>\$ -</u></u>
Funds Advanced	\$ 122,556
Funds Expended	<u>122,556</u>
Excess of Funds Advanced	<u><u>\$ -</u></u>

- 2 There were \$49,540.74 in audit period additions and, accordingly, were audited by Rector, Reeder & Lofton, P.C.
- 3 The total program costs as stated on the Annual Statement/Performance and Evaluation Report is in agreement with the Actual Modernization Cost Certificate dated June 1, 2016, as submitted to HUD for approval is in agreement with the PHA's records.
- 4 All Capital Fund Program costs have been paid and all related liabilities have been discharged through payment.