

DRAFT

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
WITH INDEPENDENT AUDITORS' REPORT

Year Ended September 30, 2016

TABLE OF CONTENTS

Description	Pages
INDEPENDENT AUDITORS' REPORT	1-3
REQUIRED SUPPLEMENTAL INFORMATION	
Management Discussion and Analysis (MD&A)	4-10
FINANCIAL STATEMENTS	11-14
Statement of Net Position	
Statement of Revenues, Expenses, and Changes in Net Position	
Statement of Cash Flows	
Notes to the Financial Statements	15-46
REQUIRED SUPPLEMENTAL INFORMATION	47-49
Schedule of Funding Progress – SCRS	
Schedule of Funding Progress – PORS	
Notes to the Required Supplemental Information	
SUPPLEMENTAL INFORMATION	
Financial Data Schedule (FDS)	50-65
Statements and Certifications of Actual Capital Fund Program Costs	66-69
REPORT ON SINGLE AUDIT	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70-71
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	72-73
Schedule of Expenditures of Federal Awards	74
Notes to Schedule of Expenditures of Federal Awards	75
Schedule of Findings and Questioned Costs	76-77
Schedule of Prior Year Findings and Questioned Costs	78

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of the City of Spartanburg
Spartanburg, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Spartanburg (the Authority) 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 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.

Auditors' 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 *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 from 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 basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Authority as of September 30, 2016, and the respective 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.

Change in Accounting Principle

As discussed in Notes 1, 11, and 16 to the financial statements, in 2016, the Authority adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress on pages 4 - 10 and 47 - 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.

Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedule and Statements and Certifications of Actual Capital Fund Program Costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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 is not a required part of the basic financial statements.

The Financial Data Schedule, Statements and Certifications of Actual Capital Fund Program Costs, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting data 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 Financial Data Schedule, Statements and Certifications of Actual Capital Fund Program Costs, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April ___, 2017 on our consideration of the 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.

Bethesda, Maryland
April ___, 2017

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2016**

DRAFT

Management's Discussion and Analysis

The management of the Spartanburg Housing Authority (the Authority or SHA) offers the readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the year ended September 30, 2016. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual program issues or concerns. Readers should consider the information presented here in conjunction with the Authority's financial statements to obtain a full understanding of its financial position. The major focus of this MD&A relates to the primary government and as such excludes those items that relate to the statements of the Discrete Component unit that are presented in a separate column of the upper level financial statements.

This management's discussion and analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) to allow 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 this 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 \$47,197,440 (net position) as compared to \$47,990,579 as restated, for the prior fiscal year.
- The Authority's cash and investments balance as of September 30, 2016 was \$7,602,607, representing an increase of \$1,580,633 from the September 30, 2015 balance of \$6,021,974.
- The Authority had total operating revenues of \$24,232,506 and total operating expenses of \$22,176,545 for the year ended September 30, 2016.
- The Authority recognized a loss on disposition of \$4,492,548 as a result of the sale of 338 public housing units at seven communities at Gooch, Tobias, Watson, Leland, Spruce, Barksdale, and JC Anderson. Additionally, as part of the Rental Assistance Demonstration Program (RAD) transaction, the Authority also recognized the following transactions:
 - a) SHA provided \$8,244,578 of acquisition carryback and reserve loans that are reflected as Notes Receivable – SHA 7 as of September 30, 2016.
 - b) SHA requisitioned \$2,743,529 of Capital Funds that were utilized to retire all CFFP debt of all of the Authority's Public Housing communities.

- c) SHA received \$2,743,529 of proceeds at closing which are reflected as operating income for the year ended September 30, 2016.
- In September 2015, The Authority joined the South Carolina Retirement System (SCRS) which was underfunded by approximately \$21.3 Billion as of June 30, 2015. As a result of this participation, the Authority recognized an unfunded obligation of \$2,468,536 for the year ended September 30, 2016. Additionally reduction in net position of \$320,188 is reflected as a prior period adjustment to record the portion of the liability applicable to Fiscal 2015 and earlier periods. An expense of \$294,631 is recognized as expense in the current year. Additional details and plan information is included in the notes to the financial statements included in this report.
 - The Authority recognized a \$746,231 reduction in Net Position as a result of amounts due from the Mary Wright Center LLC that were deemed non-collectible as of September 30, 2016. This amount consists of a \$500,000 Note receivable and \$246,231 of advances to that entity that became formally not collectible with the foreclosure on that facility that occurred in January 2017.
 - During the audit period, The Authority relocated its offices to a new location on South Pine Street which will result in much lower operating costs in the future and help to bolster the financial position of SHA in future periods.

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. Management Discussion and Analysis (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

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2016**

DRAFT

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 Positon – 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.

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2016**

DRAFT

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

**Spartanburg Housing Authority
Comparative Statement of Net Position
TABLE I**

	2016	2015	Total Change	% Change
Cash & Investments	\$ 7,602,607	\$ 6,021,974	\$ 1,580,633	26.25%
Other Current Assets	441,091	1,406,599	(965,508)	-68.64%
Other Noncurrent Assets	24,869,769	16,580,778	8,288,991	49.99%
Capital Assets	17,000,675	29,668,275	(12,667,600)	-42.70%
Deferred Outflows	1,940,694	-	1,940,694	0.00%
Total Assets	\$ 51,854,836	\$ 53,677,626	\$ (1,822,790)	-3.40%
Current Liabilities	\$ 1,561,154	\$ 1,428,181	\$ 132,973	9.31%
Noncurrent Liabilities	3,009,265	3,850,021	(840,756)	-21.84%
Deferred Inflows	86,977	-	86,977	0.00%
Total Liabilities	4,657,396	5,278,202	(620,806)	-11.76%
Investment in Capital Assets	16,589,520	25,659,587	(9,070,067)	-35.35%
Restricted	24,455,077	15,782,376	8,672,701	54.95%
Unrestricted, as restated	6,152,843	6,548,616	(395,773)	-6.04%
Total Net Position	47,197,440	47,990,579	(793,139)	-1.65%
Total Liabilities & Net Position	\$ 51,854,836	\$ 53,268,781	\$ (1,413,945)	-2.65%

Total assets decreased by \$1.8 million or 3.4%. This decrease was mainly due to increase in cash & investments of \$1.6 million and \$12.7 million reduction in capital assets as discussed in the Capital Assets section of this document offset by an \$8.3 million increase in Notes Receivable from SHA 7 as a result of the RAD transaction. Deferred outflows increased by \$1,940,694 which represents amounts to be provided in the future to address the \$2.5 million underfunded pension liability that existed at year end.

Total liabilities decreased slightly by \$0.6 million or 11.76%. Current liabilities increased by \$132,973 or 9.31% due mainly to higher accounts payable vendors and contractors offset somewhat by lower accrued liabilities. Noncurrent liabilities decreased by \$840,756 or 21.84% primarily due to long-term debt reduction of \$3,262,354 offset by the unfunded pension liability of \$2,468,536.

Total Net Position decreased by \$793.1 thousand or 1.65%, which is outlined in detail on the Statement of Revenues, Expenses and Changes in Net Position.

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2016**

DRAFT

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

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

Spartanburg Housing Authority Comparative Statement of Revenues, Expenses and Changes in Net Position TABLE II				
	2016	2015	Total Change	% Change
Revenue				
Tenant Revenue	\$ 1,894,659	\$ 2,073,040	\$ (178,381)	-8.60%
Grant Funding	21,110,606	18,721,197	2,389,409	12.76%
Interest Income	10,360	8	10,352	129400.00%
Other Income	4,077,191	1,031,323	3,045,868	295.34%
Total Revenue	27,092,816	21,825,568	5,267,248	24.13%
Expenses				
Administration	3,981,613	3,528,965	452,648	12.83%
Tenant Services	533,827	136,461	397,366	291.19%
Utilities	1,060,837	1,222,916	(162,079)	-13.25%
Maintenance	2,159,045	1,852,259	306,786	16.56%
Protective Services	22,607	127,116	(104,509)	-82.22%
General	1,787,523	1,290,226	497,297	38.54%
Interest	50,398	184,035	(133,637)	-72.61%
Housing Assistance Payments	11,460,186	10,695,885	764,301	7.15%
Depreciation	1,170,907	2,216,758	(1,045,851)	-47.18%
Total Expenses	22,226,943	21,254,621	972,322	4.57%
Net Position				
Change in Net Position	4,865,873	570,947	4,294,926	752.25%
Special Item	(746,231)	(1,278,222)	531,991	-41.62%
Extraordinary maintenance	(405,456)	0	(405,456)	0.00%
Gain (Loss) on disposition of assets	(4,507,325)	646,192	(5,153,517)	-797.52%
Prior period adjustments	0	(408,845)	408,845	0.00%
Beginning Net Position	47,990,579	48,460,507	(469,928)	-0.97%
Ending Net Position	\$ 47,197,440	\$ 47,990,579	\$ (793,139)	-1.65%

The federal government continued to fund operating grants at a level below total eligibility for the period ended September 30, 2016. With no signs of improvement in federal funding or economic conditions in the foreseeable future, the Authority is using proactive measures to review staff responsibilities and implementing cost management strategies. The Authority continuously looks for new ways to improve operations, control costs, maximize effectiveness, and demonstrate accountability.

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2016**

DRAFT

During the year, total revenue increased by \$5.3 million or 24.13%. Tenant revenue decreased by \$178,381 or 8.6% mainly due to the disposal of the RAD properties during the audit period. Total grant revenue increased by \$2.4 million or 12.76% due to increased funding from the Capital Fund program due to the retirement of CFFP debt, an increase of \$442,378 of Housing Choice Voucher Program funding, and increased pass-through HOME funds from Spartanburg County that was partially offset by a decrease in Low Income Public Housing funding. Other revenue increased by \$3.0 million or 295.34% due mainly to the receipt of proceeds received from the sale of the RAD program communities.

Total expenses increased by \$972,322 or 4.57% from FY 2015 to FY 2016. Administrative costs increased by \$452,648 or 12.83%. Utilities decreased by \$162,079 or 13.25%. Tenant services increased by \$397,366 or 291.19% due primarily to higher Youth Build and Multifamily Elderly Service Coordinator Grant activities during the year. Maintenance and operations increased by \$306,786 or 16.56% due to higher contract costs for unit turnarounds and for unit improvements. Protective services decreased by \$104,509 or 82.22% due to lower utilization of contract officers. Housing assistance payments were \$764,301 higher (7.15%) due to 9 months of payments made to the RAD communities that were not in place last year. Depreciation expense decreased by \$1,045,851, or 47% due to fewer assets in service in relation to last year due to the disposition of the RAD communities. General expenses were \$497,297 higher than last year due to an increase in Public Housing program expenses as a result of pass-through subsidy payments to RAD communities. Interest expense decreased by \$133,637 or 73%, as a result of lower debt levels in relation to FY2015.

Capital Assets

During FY 2016, the Authority had total capital asset additions of \$1,297,785, consisting of Capital Fund grant additions of \$60,006, additions from Page Lake of \$1,199,558, and additions from operations of \$38,221. Additionally, net dispositions during FY 2016 totaled \$12,794,478 and depreciation expense was \$1,170,907, a decrease of \$12,667,600 or 42.7% for FY 2016.

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

	2016	2015	Total Change	% Change
Land	\$ 5,424,146	\$ 6,757,260	\$ (1,333,114)	-19.73%
Buildings & improvements	36,411,305	58,727,244	(22,315,939)	-38.00%
Furniture & Equipment	1,302,127	2,031,197	(729,070)	-35.89%
Construction in progress	60,006	1,150,807	(1,090,801)	100.00%
	43,197,584	68,666,508	(25,468,924)	-37.09%
Accumulated Depreciation	(26,196,909)	(38,998,233)	12,801,324	-32.83%
Total Capital Assets	\$ 17,000,675	\$ 29,668,275	\$ (12,667,600)	-42.70%

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2016**

DRAFT

Reconciliation of Capital Assets

Balance as of October 1, 2015	\$ 29,668,275
Additions from Page Lake	1,199,558
Additions from Capital Funds	60,006
Additions from Operations	38,221
Current period dispositions	(12,794,478)
Depreciation expense	<u>(1,170,907)</u>
Balance as of September 30, 2016	<u>\$ 17,000,675</u>

Debt Outstanding

As of the year-end, the Authority had outstanding debt of \$411,155 which was a reduction of \$3,597,533 from last year's balance of \$4,008,688. During the year the Public Housing Capital Fund Program Debt was reduced by \$3,262,354 as a result of the retirement of all outstanding Low Income Public Housing program debt due to the disposition of seven communities that occurred as part of the Rental Assistance Demonstration (RAD) program that occurred in January 2016. Additionally, \$438,613 of debt related to the homeownership program was retired due to several sales during the year. There were no new debt obligations during the year.

Economic Factors

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

- Congressional funding of the Department of Housing and Urban Development, including any subsidy proration.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.
- Health care and other insurance costs are expected to increase dramatically over the next several years especially due to the Affordable Care Act.

Financial Contact

Questions concerning any of the information provided in this Management's Discussion & Analysis should be addressed to:

Terril Bates, Executive Director
Spartanburg Housing Authority
2271 South Pine Street
Spartanburg, South Carolina 29302
(864) 598-6102

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
STATEMENT OF NET POSITION
September 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Primary Government	Discretely Presented Component Units	TOTAL (Memorandum Only)
CURRENT ASSETS			
Cash and cash equivalents - unrestricted	\$ 5,523,317	\$ 6,450	\$ 5,529,767
Cash and cash equivalents - restricted	2,079,290	-	2,079,290
Receivables, net	247,549	-	247,549
Prepaid expenses	133,742	-	133,742
Assets held for sale	59,800	-	59,800
	<u>8,043,698</u>	<u>6,450</u>	<u>8,050,148</u>
NONCURRENT ASSETS			
Capital assets, net	17,000,675	1,898,010	18,898,685
Notes receivable, net	22,542,633	-	22,542,633
Investment in joint ventures	2,327,136	-	2,327,136
	<u>41,870,444</u>	<u>1,898,010</u>	<u>43,768,454</u>
Total noncurrent assets	<u>41,870,444</u>	<u>1,898,010</u>	<u>43,768,454</u>
Total assets	<u>49,914,142</u>	<u>1,904,460</u>	<u>51,818,602</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	1,940,694	-	1,940,694
	<u>1,940,694</u>	<u>-</u>	<u>1,940,694</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 51,854,836</u>	<u>\$ 1,904,460</u>	<u>\$ 53,759,296</u>

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

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
STATEMENT OF NET POSITION
September 30, 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	Primary Government	Discretely Presented Component Units	TOTAL (Memorandum Only)
CURRENT LIABILITIES			
Accounts payable	\$ 1,214,692	17,333	\$ 1,232,025
Accrued liabilities	150,991	630,934	781,925
Accrued compensated absences, current portion	17,176	-	17,176
Other current liabilities	16,525	134,593	151,118
Unearned revenue	10,537	-	10,537
Notes payable, current portion	22,488	1,928,376	1,950,864
Tenant security deposits	128,745	-	128,745
Total current liabilities	1,561,154	2,711,236	4,272,390
NONCURRENT LIABILITIES			
Notes payable, less current portion	388,667	750,000	1,138,667
Accrued compensated absences, less current portion	95,961	-	95,961
Trust deposits	56,101	1,222,505	1,278,606
Accrued pension liability	2,468,536	-	2,468,536
Total noncurrent liabilities	3,009,265	1,972,505	4,981,770
Total liabilities	4,570,419	4,683,741	9,254,160
DEFERRED INFLOWS OF RESOURCES			
Pension plan	86,977	-	86,977
NET POSITION			
Net investment in capital assets	16,589,520	(780,366)	15,809,154
Restricted	24,455,077	-	24,455,077
Unrestricted	6,152,843	(1,998,915)	4,153,928
Total net position	47,197,440	(2,779,281)	44,418,159
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 51,854,836	\$ 1,904,460	\$ 53,759,296

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

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended September 30, 2016

DRAFT

	Primary Government	Discretely Presented Component Units	TOTAL (Memorandum Only)
OPERATING REVENUES			
Dwelling rent	\$ 1,894,659	\$ -	\$ 1,894,659
Government grants & subsidy	18,260,656	-	18,260,656
Other income	4,077,191	88,240	4,165,431
Total operating revenues	<u>24,232,506</u>	<u>88,240</u>	<u>24,320,746</u>
OPERATING EXPENSES			
Administration	3,981,613	55,718	4,037,331
Tenant services	533,827	2,000	535,827
Utilities	1,060,837	50,692	1,111,529
Maintenance & operations	2,159,045	15,121	2,174,166
Protective services	22,607	-	22,607
General expense	1,787,523	36,523	1,824,046
Housing assistance payments	11,460,186	-	11,460,186
Depreciation expense	1,170,907	55,788	1,226,695
Total Operating Expenses	<u>22,176,545</u>	<u>215,842</u>	<u>22,392,387</u>
Net operating income (loss)	2,055,961	(127,602)	1,928,359
NON-OPERATING REVENUES (EXPENSES)			
Investment income	5	-	5
Interest expense	(50,398)	(121,497)	(171,895)
Extraordinary maintenance	(405,456)	-	(405,456)
Mortgage interest income	10,355	-	10,355
Gain (loss) on disposition of assets	(4,507,325)	-	(4,507,325)
Net non-operating revenues (expenses)	<u>(4,952,819)</u>	<u>(121,497)</u>	<u>(5,074,316)</u>
Net income (loss) before other revenues, expenses, gains, losses, and transfers	<u>(2,896,858)</u>	<u>(249,099)</u>	<u>(3,145,957)</u>
HUD capital grants	2,849,950	-	2,849,950
Equity transfer to affiliated entity	(746,231)	746,231	-
Change in net position	<u>(793,139)</u>	<u>497,132</u>	<u>(296,007)</u>
Net position, beginning of year, as restated	<u>47,990,579</u>	<u>(3,276,413)</u>	<u>44,714,166</u>
Net position, end of year	<u>\$ 47,197,440</u>	<u>\$ (2,779,281)</u>	<u>\$ 44,418,159</u>

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

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
STATEMENTS OF CASH FLOWS
Years ended September 30, 2016

DRAFT

	Primary Government	Discretely Presented Component Units	TOTAL (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers & users	\$ 6,686,724	\$ 94,710	\$ 6,781,434
Governmental grants & subsidy - operations	18,666,266	-	18,666,266
Payments to suppliers	(5,628,768)	(731,131)	(6,359,899)
Payments to employees	(3,587,292)	-	(3,587,292)
Payments for housing assistance	(11,460,186)	-	(11,460,186)
Net cash flows provided by operating activities	<u>4,676,744</u>	<u>(636,421)</u>	<u>4,040,323</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Grant revenue - Capital Fund grants	2,849,950	-	2,849,950
Acquisition of capital assets - Capital Fund grants	(1,297,785)	-	(1,297,785)
Loss from disposition of capital assets	(4,507,325)	-	(4,507,325)
Extraordinary maintenance	(405,456)	-	(405,456)
Payment on notes receivable	4,736,964	-	4,736,964
Payment of interest on debt obligations - net	(50,398)	(121,497)	(171,895)
Repayment of debt obligations	(3,686,190)	-	(3,686,190)
Net cash flows provided by capital and related financing activities	<u>(2,360,240)</u>	<u>(121,497)</u>	<u>(2,481,737)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer to affiliated entities	<u>(746,231)</u>	<u>746,231</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>10,360</u>	<u>-</u>	<u>10,360</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,580,633	(11,687)	1,568,946
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,021,974</u>	<u>18,137</u>	<u>6,040,111</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,602,607</u>	<u>\$ 6,450</u>	<u>\$ 7,609,057</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 2,055,961	\$ (127,602)	\$ 1,928,359
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	1,170,907	55,788	1,226,695
Bad debt	110,300	-	110,300
Decrease (increase) in accounts receivable	983,501	2,921	986,422
Decrease (increase) in prepaid expenses	(17,993)	25,900	7,907
Decrease (increase) in other assets	(47,146)	3,549	(43,597)
Increase (decrease) in accounts payable	765,237	(662,480)	102,757
Increase (decrease) in accrued liabilities	(40,654)	117,947	77,293
Increase (decrease) in unearned revenue	(30,013)	(21,760)	(51,773)
Increase (decrease) in other current liabilities	(279,928)	(30,684)	(310,612)
Increase (decrease) in security/trust deposits	<u>6,572</u>	<u>-</u>	<u>6,572</u>
Net cash used in operating activities	<u>\$ 4,676,744</u>	<u>\$ (636,421)</u>	<u>\$ 4,040,323</u>

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

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

DRAFT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of the Housing Authority of the City of Spartanburg (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to local governmental units. The more significant accounting policies of the Authority are described below.

Organization

The Housing Authority of the City of Spartanburg is a public body and a body corporate and politic organized under the laws of the State of South Carolina for the purpose of providing adequate housing for qualified low-income individuals. The Authority is a separate non-profit corporation with a Board of Commissioners. The applicable jurisdictions appoint the Board of Commissioners. However, the Authority has complete legislative and administrative authority and it recruits and employs personnel. The Authority adopts a budget that is approved by the Board of Commissioners. Additionally, the Authority has entered into annual contribution contracts with the U. S. Department of Housing and Urban Development ("HUD") to be the administrator of the housing and housing related programs described herein. The Authority has substantial legal authority to control its affairs without local government approval; therefore, all operations of the Authority are a separate reporting entity as reflected in this report. The authority is responsible for its debts and is entitled to surpluses.

Reporting Entity

The accompanying basic financial statements include all accounts of all Authority operations and its blended component units. These statements do not include any City agencies, and the Authority is not a component unit of the City under the definitions of Government Accounting Standards Board (GASB) Statement Number 62.

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

Appointment of a Voting Majority - The Authority is governed by a Board of Commissioners and has governance responsibilities over all activities related to all housing activities within Spartanburg. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the City; i.e., they can be removed only for cause. The Authority's Board elects its own chairperson.

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

DRAFT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Authority operated the following programs under its Annual Contributions Contracts with HUD:

Low Rent Public Housing Program- The objective of this program is to provide decent safe and sanitary housing and related facilities for eligible low-income families and the elderly. The Authority currently serves approximately 728 Public Housing units located in thirteen (13) communities throughout the City of Spartanburg. Seven communities comprising 338 units were sold to SHA 7, LLC during the fiscal year as part of HUD's Rental Assistance Demonstration program (RAD).

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 - This program provides rental assistance to help low-income families afford decent, safe and sanitary rental housing. The Authority provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant. SHA currently has an allocation of 1,827 vouchers.

Multifamily Housing Service Coordinators - This program provides funding for the employment of Service Coordinators in insured and assisted apartment housing that is designed for the elderly and persons with disabilities.

Youth Build Program - This program assists low-income young people ages 16-24 work toward their GEDs or high school diplomas while learning job skills by building affordable housing for homeless and low-income people and participating in leadership development activities in their communities.

Resident Opportunities and Supportive Services (ROSS) - This program provides public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient.

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

DRAFT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Section 8 Moderate Rehabilitation Programs - The Section 8 Moderate Rehabilitation programs are funded by the U.S. Department of Housing and Urban Development. These programs aid very low income families in obtaining decent safe and sanitary housing by providing housing assistance payments to landlords on behalf of the tenant. SHA currently has an allocation of 285 vouchers.

Section 8 New Construction and Substantial Rehabilitation Programs - This program provide rental assistance in connection with the development of newly constructed or substantially rehabilitated privately owned rental housing financed with any type of construction or permanent financing, including the applicable FHA Multifamily Mortgage Insurance Programs.

Blended Component Units - The Authority administers two blended component units as detailed below. Both blended component units' current year activity are consolidated and reported in the accompanying Financial Data Schedules in the 'Blended Component Unit' column and are part of the Primary Government in the Basic financial statements. A copy of the financial statements of SHA Property Company for the year ended September 30, 2016, may be obtained by contacting the Housing Authority of the City of Spartanburg, 2271 S. Pine Street, Spartanburg, SC 29302.

SHA Property Company, Inc. (ShapCo) - This is a related not-for-profit South Carolina Corporation, which was created as an instrumentality of the Authority for the primary purpose of owning and managing non-dwelling rental property. During September 2015, the primary assets of ShapCo were seized by Wells Fargo and liquidated as part of the default on the Mary Wright Center Loan as discussed in Notes 10 and Note 16 and as a result, the entity had no material assets as of September 30, 2016.

Spartanburg Leased Housing Corporation (SLHC) - This entity is a member in Cedar Springs Place, LLC, and its primary purpose is to acquire, construct, own, finance, lease and operate 48 elderly low income housing tax credit units located in a building at 324 Cedar Springs Road, Spartanburg, SC. SLHC was created solely for the financial benefit and convenience of the Housing Authority.

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

DRAFT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely Presented Component Units - Two discrete component units, known as Mary Wright, LLC (MW, LLC) and Wright Center, LLC (WC, LLC) are presented in this report. MW, LLC is a South Carolina Limited Liability Company formed to acquire, finance, rehabilitate, own, and sell or otherwise dispose of a historic property located in Spartanburg known as the Wright Center. The Wright Center property is leased to WC, LLC. WC, LLC is a South Carolina limited liability company formed to lease the Wright Center and to hold, maintain, operate, and sell or otherwise dispose of its leasehold interest in the property. ShapCo is WC, LLC's managing member. WC, LLC subleases the Wright Center to the Authority and other tenants who utilized the property as administrative offices. Although SHA is not financially accountable for these entities, as of September 30, 2015 it was the primary tenant in that facility and this relationship was sufficient to require that these units be discretely presented in the Authority report. Subsequent to the year-end but prior to the issuance of this report, SHA vacated the facility and the facility was foreclosed upon in January 2017, eliminating the Authority's leasehold interest and obligation.

Board Information

The Board is made up of seven members with the following terms:

Molly Talbot-Metz	June 30, 2019
Thomas A. Lounds, Jr.	October 31, 2017
Mac Hogan	June 30, 2018
Brenda Thomas	June 30, 2019
Dr. Charles White	June 30, 2020
Kittie Collins-Tullis	October 31, 2017
Andrew Poliakoff	June 30, 2020

Basis of Presentation, Basis of Accounting, and Measurement Focus

The basic financial statements (i.e. the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows for the proprietary fund) report information on all of the activities of the Authority except for its discretely presented component units. Separate fund financial statements are provided for the component units.

Description of Funds

A Fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of its assets, deferred outflow of resources, liabilities, deferred inflow of resources, net position, revenues, and expenses. The funds maintained by the Authority allow compliance and financial accountability by separate functions and activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Authority's operating activities are maintained in accordance with the principles of enterprise fund accounting to ensure the observance of limitations and restrictions on the resources available. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, was issued to incorporate GASB and AICPA guidance into GASB authoritative literature. HABC has elected not to follow any FASB guidance not included in GASB 62.

HUD requires all Public Housing Agencies meeting certain criteria to account for financial activity by projects referred to as the asset management projects (AMPs) since fiscal year 2008. The Authority is required to report financial activity by AMPs as well as by fund through HUD's on-line reporting system.

Basis of Accounting and Measurement Focus

The basis of accounting for the funds used by the Authority is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Authority's funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. All assets and liabilities associated with the operation of these funds are included on the Statements of Net Position.

Net position in enterprise fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, granters, or laws and regulations of other governments. The Authority's restricted net position consists of escrows held for debt service, investment in joint ventures, program income, reserve accounts, and excess housing assistance payments.

Separate statements are also included for the discretely presented component units as shown in the table of contents. The discretely presented component units are separate legal entities from the Authority.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements and in the disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash, Cash Equivalents, and Investments

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.

Investments are stated at fair market 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 mature at par value and adjustments are made to the investment portfolio to reflect increases/ (decreases) in gains made.

Accounts Receivable

Accounts receivable consists of payments due from HUD and related affiliates, rent payments from tenants and other miscellaneous receivables arising from the normal course of operations. A reserve for uncollectible accounts is established based on management's estimates. Collection losses on accounts receivable are expended, in the appropriate Fund, on the specific write-off method.

Inventories

Inventories are recorded at the lower of cost or market. The consumption method is used to account for inventories. Under the consumption method, inventories are charged to expense when consumed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation

Capital assets are stated at historical cost, less accumulated depreciation. 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 County for maintenance and repairs. Depreciation of exhaustible capital assets used by proprietary funds is computed on the straight-line method and charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. Assets are capitalized if they have a useful life beyond one year and an original cost greater than \$5,000.

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

Buildings & Improvements	20 years
Furniture, fixtures, & equipment	5 years

Proceeds from the disposal of capital assets are recognized in the period received. Proceeds from the sale of property acquired or significantly improved with HUD or other grant funds are refunded to HUD or the applicable grantor as required by contract, or retained and used for special purposes as approved by HUD or the grantor.

Notes Receivable

A significant portion of notes receivables represent loans to related party Owner-Entities and developers for Development Projects. The Authority subordinated these loans in conjunction with financing arrangements related to the development of mixed-income, multi-family rental communities. Such loans are interest-bearing and are payable from cash flow from the property owned by each respective Project. Such loans are typically funded from various programs and Capital Fund grants, representing a significant portion of the construction costs associated with the Authority assisted component of the mixed-income rental property. Interest and principal on these loans are subordinated and are contingent on cash flow from the property; however, interest income is accrued as it occurs. Based on the status of the previous mixed-financing projects and the contingent nature of the payments, management elected to establish an allowance based on the expected amount the Authority intends to collect.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and sick pay is recorded as an expense and related liability in the year earned by employees.

Net Position

Net position is displayed in three components:

Net Investment in Capital Assets: This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of net position consists of restricted resources when constraints are placed on the resource by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc. This also includes investments in joint ventures.

Unrestricted Net Position: This component of net position consists of resources that do not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position."

Certain assets including cash and investments may be classified in restricted net position on the Statements of Net Position because their use is restricted for specific purposes. It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Revenues and Expenses:

Revenues and expenses are recognized on the accrual basis of accounting. Revenues relating to the Authority's operating activities include rental related income, interest income and other sources of revenues that 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in the no operating revenue and expense. Pursuant to the Annual Contributions Contract HUD contributes an operating subsidy approved in the operating budget. For the year ended September 30, 2016, the subsidy paid was \$3,550,832.

Taxes

Under Federal, State and City laws, the Authority is exempt from income, property and excise taxes. Housing authorities are, however, required to make payments in lieu of taxes (PILOT) in accordance with the provisions of agreements with local taxing authorities.

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.

New Accounting Pronouncements

The Authority adopted the following accounting pronouncements during the current fiscal year.

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

DRAFT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The objective of this statement is to improve financial reporting by state and local governmental pension plans. The Authority began participation in the South Carolina Retirement System, a multi-employer pension plan, effective October 1, 2015. The financial activity of the plan as of June 30, 2016, to the extent it impacts the Authority, resulted in the recognition of Deferred Outflows of Resources of \$1,940,464 and Deferred Inflows of Resources of \$86,977.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68

The objective of this Statement is to address an issue related to amounts associated with contributions, if any, made by a local government employer contributing to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The Statement was considered in the recognition of the Deferred Outflows of resources reported as of September 30, 2016.

Statement No. 72 – Fair Value Measurement and Application

This statement is effective for periods beginning after June 15, 2015 with earlier application encouraged. This statement improves financial reporting by clarifying the definition of *fair value* for financial reporting purposes. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. There was no impact on the Authority's financial statements as a result of this pronouncement.

2. CASH AND CASH EQUIVALENTS

All the deposits of the Spartanburg Housing Authority are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names. The Spartanburg Housing Authority has no policy regarding custodial credit risk for deposits.

2. CASH AND CASH EQUIVALENTS (continued)

At September 30, 2016, the Authority's Primary Government cash and cash equivalents had a carrying amount of \$7,602,607 and bank balances of \$8,065,574. Of the bank balances held in various financial institutions, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method. Additionally, as of September 30, 2016, there was \$6,450 of cash and cash equivalents in the Discretely Presented Component Units that are included in the agency-wide financial statements. Inclusive of these amounts, cash and investments had a carrying amount of \$7,609,057 and bank balances of \$8,072,024.

Inherent rate risk – The Authority's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate volatility.

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 in the possession of an outside party. The Authority's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Concentration of credit risk – The Authority placed no limit on the amount that it may invest in certificates of deposits. The Authority has no policy regarding credit risk.

Collateralization – In addition to the above mentioned FDIC insurance, BB&T Bank participates in public funds of pooled securities for the Authority. As of September 30, 2016, there was \$8,255,968 of specified pledged security for the Authority.

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

DRAFT

2. CASH AND CASH EQUIVALENTS (continued)

Restricted Cash and Cash Equivalents:

Primary Government

Restricted cash and cash equivalents were comprised of the following as of September 30, 2016:

Description	Amount
Tenant security deposits	\$ 128,512
Restricted deposits - Moderate Rehabilitation Program	406,625
Restricted deposits and funded reserves - JC Bull (new construction)	1,102,784
Housing Choice Voucher Program - Unexpended HAP equity	383,439
Restricted deposits - unexpended Duke Power grant	1,829
FSS participants' escrow accounts	56,101
	\$ 2,079,290

3. ACCOUNTS RECEIVABLE

Primary Government

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

Description	Amount
Accounts receivable - tenants - dwelling rents (net of allowance of \$11,440)	\$ 20,644
Accounts receivable - HUD	113,669
Notes receivable - current portion	18,000
Due from Affiliate - Mary Wright LLC (net of allowance of \$101,477)	22,463
Accounts receivable - Department of Labor (Youthbuild)	41,988
Accounts receivable - Section 8 portability	8,512
Accounts receivable - miscellaneous	22,273
	\$ 247,549

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

DRAFT

4. PREPAID EXPENSES & OTHER CURRENT ASSETS

Primary Government

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

<u>Description</u>	<u>Amount</u>
Prepaid insurance expense	\$ 133,742
Assets held for sale	59,800
Total	<u>\$ 193,542</u>

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance October 1, 2015	Additions	Transfers/ Disposals	Balance September 30, 2016
Land	\$ 6,757,260	\$ -	\$ (1,333,114)	\$ 5,424,146
Buildings	58,727,244	1,997,496	(24,313,435)	36,411,305
Furniture & Equipment	2,031,197	38,221	(767,291)	1,302,127
Construction-in-progress	1,150,807	1,259,564	(2,350,365)	60,006
	68,666,508	3,295,281	(28,764,205)	43,197,584
Less Accumulated Depreciation:	<u>(38,998,233)</u>	<u>(1,170,907)</u>	<u>13,972,231</u>	<u>(26,196,909)</u>
Total	<u>\$ 29,668,275</u>	<u>\$ 2,124,374</u>	<u>\$ (14,791,974)</u>	<u>\$ 17,000,675</u>

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

DRAFT

5. CAPITAL ASSETS (continued)

Discretely Presented Component Units

	Balance October 1, 2015	Additions	Transfers/ Writedowns	Balance September 30, 2016
Land	\$ 62,064	\$ -	\$ -	\$ 62,064
Buildings	2,087,936	-	-	2,087,936
	2,150,000	-	-	2,150,000
Less Accumulated Depreciation:	(196,202)	(55,788)	-	(251,990)
Total	<u>\$ 1,953,798</u>	<u>\$ (55,788)</u>	<u>\$ -</u>	<u>\$ 1,898,010</u>

6. NOTES RECEIVABLE

Primary Government

The Notes Receivable for the primary government at September 30, 2016 consisted of the following:

<u>Entity/Partnership</u>	<u>Notes Receivable</u>	<u>Accrued Interest</u>	<u>Total Receivable</u>	<u>Allowance for Doubtful Accts</u>	<u>Net Receivable</u>
Spartanburg Housing, LP	\$ 1,000,000	\$ 946,541	\$ 1,946,541	\$ (946,541)	\$ 1,000,000
Spartanburg Housing 2, LP	335,000	-	335,000	-	335,000
CS1, LLC	10,795,791	65,808	10,861,599	(65,808)	10,795,791
HC1, LLC	780,000	736,146	1,516,146	(736,146)	780,000
SHA 7	8,244,578	252,702	8,497,280	(252,702)	8,244,578
Highland Avenue LLC	350,000	11,314	361,314	(11,314)	350,000
Cedar Springs Place, LLC	914,375	286,647	1,201,022	(286,647)	914,375
Homeowners Notes Receivable	<u>751,548</u>	<u>-</u>	<u>751,548</u>	<u>(610,659)</u>	<u>140,889</u>
Total	<u>\$ 23,171,292</u>	<u>\$ 2,299,158</u>	<u>\$ 25,470,450</u>	<u>\$ (2,909,817)</u>	<u>\$ 22,560,633</u>
Less current portion					<u>18,000</u>
Non-current notes receivable					<u>\$ 22,542,633</u>

The current portion of notes receivable is included in Receivables, net in the financial statements.

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

DRAFT

6. NOTES RECEIVABLE (continued)

Notes Receivable - Spartanburg Housing Limited Partnership, (affiliate) consists of the following loans made to the Partnership, a related party, by the Spartanburg Housing Authority for the development of the project:

Second mortgage note ("Hope VI Loan") in the amount of \$800,000. The note bears interest at the Applicable Federal Rate (AFR) applicable to long-term loans with annual compounding for December 2001, which equals 5.05 percent. The interest rate will remain stable throughout the life of the note. The loan is secured by an investment in real property. The principal amount and any unpaid accrued interest will be payable only from net available cash flow, net proceeds, or condemnation proceeds, as defined. The note matures on November 30, 2031. The balance of the note as of September 30, 2016, was \$800,000 and accrued interest receivable as of September 30, 2016 was \$761,444. An allowance for doubtful accounts of \$761,444 has been recognized to fully reserve all accrued interest as of September 30, 2016.

Third mortgage note ("CFP Loan ") in the amount of \$200,000. The note bears interest at the Applicable Federal Rate (AFR) applicable to long-term loans with annual compounding for December 2001, which equals 5.05 percent. The interest rate will remain stable throughout the life of the loan. The note is secured by an investment in real property. The principal amount and any unpaid accrued interest will be payable only from net available cash flow, net proceeds or condemnation proceeds, as defined. The note matures on November 30, 2031. The balance of the note as of September 30, 2016, was \$200,000. Accrued interest receivable as of September 30, 2016 was \$185,097. An allowance for doubtful accounts of \$185,097 has been recognized to fully reserve all accrued interest as of September 30, 2016.

Notes Receivable - SHA 2 ("Stabilization Reserve") - the Spartanburg Housing Authority has a note receivable from SHA2, LP for the stabilization reserve in the amount of \$335,000. The loan is non-interest bearing and payable from available cash flow beginning in 2021. The note has a final maturity of September 30, 2053 at which time all principal and other outstanding sums shall be due and payable in full. As of September 30, 2016, the balance is \$335,000.

Notes Receivable- CS1, LLC, affiliate consists of the following loans made to the Partnership, a related party, by the Spartanburg Housing Authority for the development of the project:

CS1, LLC, has a permanent loan from the Housing Authority. The loan bears interest at a rate equal to the Bond Market Association Index (BMA) plus 198 basis points and is guaranteed by the Managing Member and its affiliate. This loan was used to fund construction of the Project. On March 9, 2011, this loan converted to a permanent loan under the same terms, after a principal pay down of \$635,021. Principal and interest payments are due monthly. This loan is secured by all property, security agreements and assignments of rents and matures in 2040.

6. NOTES RECEIVABLE (continued)

The balance of the loan as of September 30, 2016, was \$3,445,000. This loan is a conduit obligation in which proceeds will be used to repay the Spartanburg Multifamily Housing Revenue Bonds, Series 2007 and therefore it is not included in the financial statements of the Authority.

Cedar Springs 1, LLC, has 42-year non-recourse Hope VI loan from the Housing Authority. The loan does not bear interest and is subordinate to the bond loan. This loan was used to fund the construction of the Project. No payments are due until maturity. All principal is due on March 14, 2049. The loan is secured by the property. The balance of the loan as of September 30, 2016 was \$7,768,309.

Cedar Springs 1, LLC, has a 42-year non-recourse program income fund loan from the Housing Authority. The loan does not bear interest and is subordinate to the bond loan. This loan was used to fund the construction of the Project. No payments are due until maturity. All principal is due on February 28, 2049. The loan is secured by the property. The balance of the loan as of September 30, 2016 was \$2,308,443.

Cedar Springs 1, LLC, has a 42-year non-recourse state loan from the Housing Authority. The loan bears interest at 5.23% and is subordinate to the bond loan. This loan was used to fund construction costs. No payments are due until maturity. All principal is due on March 13, 2049. The loan is secured by the property. The balance of the loan as of September 30, 2016 was \$719,039. Accrued interest receivable as of September 30, 2016 was \$65,808. An allowance for doubtful accounts of \$65,808 has been recognized to fully reserve all accrued interest as of September 30, 2016.

Notes Receivable- HC 1, LLC, affiliate consists of the following loans made to the Partnership, a related party, by the Spartanburg Housing Authority for the development of the project:

HC1, LLC ("SHA Loan") - The Partnership and the Spartanburg Housing Authority entered into a non-recourse construction and permanent loan in the amount of \$300,000. The note bears interest at 8.0% and is secured by an investment in real property. The principal amount and any unpaid accrued interest will be payable from available cash flows after the repayment of the senior mortgage loans, junior mortgage loans, and all reserves required by the partnership agreement have been fully funded. The note matures in July 2037. The balance of the note as of September 30, 2016 was \$300,000. Noncurrent interest payable as of September 30, 2016 was \$272,215. An allowance for doubtful accounts of \$272,215 has been recognized to fully reserve all accrued interest as of September 30, 2016.

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

DRAFT

6. NOTES RECEIVABLE (continued)

HC1, LLC ("SHA Acquisition Loan") - The Partnership has a non-recourse construction and permanent loan entered into by the Partnership and the Spartanburg Housing Authority in the amount of \$480,000. The note bears interest at 8.0% and is secured by an investment in real property. The principal amount and any unpaid accrued interest will be payable from available cash flows after the repayment of the senior mortgage loans, junior mortgage loans, and all reserves required by the partnership agreement have been fully funded. The note matures in July 2037. The balance of the note as of September 30, 2015 was \$480,000. Noncurrent interest payable as of September 30, 2016 was \$463,931. An allowance for doubtful accounts of \$463,931 has been recognized to fully reserve all accrued interest as of September 30, 2016.

Notes Receivable – SHA 7, LLC, affiliate consists of the following loans made to the properties that transitioned to stand alone entities under the Rental Assistance Demonstration, a related party, by the Spartanburg Housing Authority for the redevelopment of seven properties that were formerly ACC units under the Low Income Public Housing Program:

SHA 7, LLC ("Carryback Loan") - The Authority issued a \$7,244,578 note to assist in the acquisition funding of the RAD properties during January 2016. The note accrues interest at 2.65% and matures in January 2059 and interest payment are repayable from cash flow only. As of September 30, 2016, the outstanding balance was \$7,244,578. An allowance for doubtful accounts of \$184,618 representing accrued interest on the loan has been recorded as of September 30, 2016 and all amounts are considered non-current.

SHA 7, LLC ("Reserve Loan") - The Authority issued a \$1,000,000 note which represented cash loans to SHA7 to provide replacement reserves for these developments. The note accrues interest at 7.8% and matures in January 2059 and interest payment are repayable from cash flow only. As of September 30, 2016, the outstanding balance was \$1,000,000. An allowance for doubtful accounts of \$68,084 representing accrued interest on the loan has been recorded as of September 30, 2016 and all amounts are considered non-current.

Highland Avenue, LLC - The Partnership and the Spartanburg Housing Authority entered into a non-recourse construction and permanent loan in the amount of \$350,000. The note bears interest at the applicable federal rate (AFR) (1.9% at September 30, 2016) and is secured by an investment in real property. The principal amount and any unpaid accrued interest will be payable from available cash flows after the repayment of the senior mortgage loans, junior mortgage loans, and all reserves required by the partnership agreement have been fully funded.

The note matures in April, 2050. The balance of the note as of September 30, 2016 was \$350,000. Noncurrent interest payable as of September 30, 2016 was \$11,314. An allowance for doubtful accounts of \$11,314 has been recognized to fully reserve all accrued interest as of September 30, 2016.

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

DRAFT

6. NOTES RECEIVABLE (continued)

Notes Receivable - Cedar Springs Place, LLC, affiliate consists of the following loans made to the Partnership, a related party, by the Spartanburg Housing Authority for the development of the project:

Cedar Springs Place, LLC entered into a fourth mortgage loan payable with Spartanburg Housing Authority on October 12, 2007 in the original amount of \$414,375. The note bears interest at the greatest of (a) 4.77% per annum or (b) an annual interest rate equal to the applicable Federal long-term rate (AFR) as defined in Section 1274(d) of the Internal Revenue Code of 1986. The note shall be repaid in a single payment including all unpaid principal and accrued interest with net available cash flow and at the end of the first mortgage on the property. The mortgage is collateralized by a fourth mortgage on the property.

As of September 30, 2016, the loan balance was \$414,375 and accrued interest totaled \$164,383. An allowance for doubtful accounts of \$164,383 has been recognized to fully reserve all accrued interest as of September 30, 2016.

Cedar Springs Place, LLC entered into a fifth mortgage loan payable with Spartanburg Leased Housing Corporation (a blended component unit of the Spartanburg Housing Authority) on March 28, 2007 in the original amount of \$300,000. The note bears interest at the greater of (a) 4.7% per annum or (b) an annual interest rate equal to the applicable Federal long-term rate (AFR) as defined in Section 1274(d) of the Internal Revenue Code of 1986. The note shall be repaid in a single payment including all unpaid principal and accrued interest on the 30th anniversary of disbursement of the proceeds of the loan. The mortgage is collateralized by a fifth mortgage on the property. As of September 30, 2016, the loan balance was \$300,000 and accrued interest totaled \$122,264. An allowance for doubtful accounts of \$122,264 has been recognized to fully reserve all accrued interest as of September 30, 2016.

Pursuit to the Operating Agreement, Cedar Springs Place, and LLC was advanced \$200,000 for additional funds to be repaid from surplus cash. This amount has been treated as a notes receivable but is non-interest bearing.

Notes Receivable- Homebuyers- the Authority has issued primary loans to assist qualified residents in the purchase of homes/ The Authority entered into a \$1,000,000 Loan Agreement with BB&T Bank to finance these primary loans. Mortgage loans held by the Authority are collateralized by single- family residences. As of September 30, 2016, the outstanding mortgage balances was \$751,548. An allowance for doubtful accounts of \$610,659 has been recorded as of September 30, 2016. Of the total outstanding amount, \$18,000 is considered current.

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

DRAFT

7. OTHER NONCURRENT ASSETS

Primary Government

Other noncurrent assets consisted of the following as of September 30, 2016:

<u>Description</u>	<u>Amount</u>
Developer fees receivable - Tax Credit Properties	\$ 2,867,526
Less allowance for doubtful accounts	(680,661)
Investment in Joint Ventures - Tax Credit Properties	<u>140,271</u>
	<u><u>\$ 2,327,136</u></u>

The Tax Credit Properties included in the above are the CS1, LLC, HS1, LLC, SHA 7, LLC, Spartanburg Housing, LP and the Spartanburg Housing 2, LP. The Investment in Joint ventures represents the Housing Authority ownership in the tax credit entities per the partnership's or LLC's books of account.

8. ACCOUNTS PAYABLE AND CURRENT LIABILITIES

Accounts payable and current liabilities as September 30, 2016 consisted of the following:

Primary Government

<u>Description</u>	<u>Amount</u>
Vendors and contractors payable	\$ 808,067
Accrued wages/payroll taxes payable	63,207
Accrued compensated absences - current portion	17,176
Accounts payable - HUD	406,625
Unearned revenue	10,537
Long-term debt - current portion	22,488
Security deposits	128,745
Accrued liabilities/utilities payable	<u>104,309</u>
	<u><u>\$ 1,561,154</u></u>

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

DRAFT

8. ACCOUNTS PAYABLE AND CURRENT LIABILITIES (continued)

Discretely Presented Component Units

Description	Amount
Accrued interest payable	\$ 630,934
Long-term debt - current portion	1,928,376
Vendors and contractors payable	17,333
Accrued liabilities - fees payable	134,593
	<u>\$2,711,236</u>

9. NON-CURRENT LIABILITIES

Primary Government

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

	Balance October 1, 2015	Additions	Reductions	Balance September 30, 2016	Due Within One Year
Long-term debt	\$ 4,008,688	\$ -	\$ (3,700,967)	\$ 307,721	\$ 37,265
Unfunded pension liability	-	2,468,536	-	2,468,536	-
Compensated absences	164,175	49,923	(100,961)	113,137	17,176
FSS escrow accounts	49,529	47,926	(41,354)	56,101	-
Total long-term debt	<u>\$ 4,222,392</u>	<u>\$2,566,385</u>	<u>\$ (3,843,282)</u>	<u>\$ 2,945,495</u>	<u>\$ 54,441</u>

Discretely Presented Component Units

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

	Balance January 1, 2015	Additions	Reductions	Balance September 30, 2016	Due Within One Year
Long-term debt	\$ 2,678,376	\$ -	\$ -	\$ 2,678,376	\$ 1,928,376
Developer fee payable	1,222,505	-	-	1,222,505	-
Total long-term debt	<u>\$ 3,900,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,900,881</u>	<u>\$ 1,928,376</u>

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

DRAFT

10. LONG TERM DEBT OBLIGATIONS

Primary Government

Long term debt obligations as of September 30, 2016 consisted of the following:

In January of 2006, the Authority obtained an interest bearing loan to Fannie Mae for \$5,763,000 for the development of public housing. Principal and interest payments are to be paid out of the Authority's Capital Fund Program. The loan bears interest at a rate of 4.5% and matures in January of 2026. The loan is secured directly by the real property financed by the loan. During fiscal year 2016, the Authority paid off the loan using Capital Fund grant revenue in order to remove all debt from the seven properties sold under the RAD program.

In October of 2006, the Authority obtained a \$1,000,000 line of credit from Branch Banking and Trust Company to finance residential mortgage loans offered to qualified home buyers, from the Authority. The loan is collateralized by single-family residences. Interest is charged at the One Month LIBOR Rate plus 2.25%, and is payable monthly. The outstanding balance as of September 30, 2016 was \$20,004 with a current amount due of \$20,004. Future projected payments are as follows:

	Principal	Interest	Total
2017	\$ 20,004	\$ 754	\$ 20,758

In October of 2008, the Authority obtained a \$136,529 loan from Branch Banking and Trust Company to fund the development of three duplexes (six low income rental units). The loan is secured by the land and buildings. Interest is charged at the One Month LIBOR Rate plus 2.25%, and is payable monthly. The outstanding balance as of September 30, 2016 was \$95,609, with a current amount due of \$2,484.

	Principal	Interest	Total
2017	6,291	2,484	8,775
2018	6,462	2,313	8,775
2019	6,637	2,138	8,775
2020	6,817	1,958	8,775
2021	7,002	1,773	8,775
2022-2029	62,400	6,901	69,301
Total	\$ 95,609	\$ 17,566	\$ 113,175

10. LONG TERM DEBT OBLIGATIONS (continued)

During fiscal year 2009, the Authority obtained a \$295,542 loan from the South Carolina State Housing Finance and Development Authority to fund the development of three duplexes (six low income rental units). The loan is secured by the land and buildings. The loan bears no interest, and is forgivable. The outstanding balance as of September 30, 2016 was \$292,542, with all amounts considered non-current.

Interest charges expensed on all debts during the year totaled \$50,398.

Discretely Presented Component Units

Long-term debt obligations as of September 30, 2016 consisted of the following:

Senior Note Payable

On February 8, 2008, MW, LLC entered into a loan agreement with Wachovia Community Development Enterprises V, LLC for a loan in the amount of \$3,000,000. The Senior Loan is secured by a Mortgage, Assignment of Leases, and Security Agreement on the Wright Center property. The loan requires monthly payments of interest only. The loan matured on February 9, 2015 but payment was not made at that time.

During fiscal year 2015, Wells Fargo attached the building at 325 South Church Street owned by Shapco and held a bank sale that netted sales proceeds of \$696,049 and applied \$375,944 of sinking fund and investments held by Mary Wright, LLC to reduce the outstanding loan balance at September 30, 2015 to \$1,928,376 and a balance of \$61,620 in accrued interest payable was also outstanding. As of September 30, 2016, the outstanding loan balance is \$1,928,376 and a balance of \$114,692 in accrued interest payable was also outstanding.

Supplemental Note Payable

On February 8, 2008, MW, LLC entered into a loan agreement with Wachovia Community Development Enterprises V, LLC for a loan in the amount of \$750,000. The Supplemental Loan is secured by a Mortgage, Assignment of Leases, and Security Agreement on the Property. The loan is not eligible for prepayment at any time before the seventh anniversary of the loan. MW, LLC is not required to make any payments prior to the maturity date, February 8, 2048, when all unpaid principal and any accrued but unpaid interest are due. Interest accrues on the outstanding principal at 0.50% per annum.

During the year ended September 30, 2016, interest of \$3,750 was incurred on the loan. As of September 30, 2016, the outstanding balance was \$750,000 and accrued interest on the note was \$31,750.

10. LONG TERM DEBT OBLIGATIONS (continued)

As of September 30, 2016, the Supplemental Loan is in default since principal and interest payments were not made timely in accordance with the contractual terms of the promissory note agreements.

NMTC Servicing Fee

In connection with the Senior Loan and the Supplemental Loan, MW, LLC pays Wachovia Community Development Enterprises V, LLC ("Wachovia") a new markets tax credit annual servicing fee equal to 0.50% of the loan amounts beginning January 1, 2009 and continuing thereafter on an annual basis for the next six years. For the year ended September 30, 2016, servicing fee expense was \$18,750. NMTC servicing fee payable was \$89,062, as of September 30, 2016.

Developer Fee

Pursuant to the Mary Wright, LLC Development Agreement (the "Development Agreement"), dated February 8, 2008, between MW, LLC and ShapCo, MW, LLC agreed to pay ShapCo for its services in connection with the rehabilitation of the Wright Center property, a fee in the amount of 20% of the property's renovation costs as defined in the Development Agreement, or approximately \$1,222,505. The developer fee is payable from available cash flow and bears interest at a rate of 5% per annum. During the year ended September 30, 2016, interest of \$61,125 was incurred on the development fee payable. As of September 30, 2016, \$1,222,505 remained payable. As of September 30, 2016, accrued interest on the developer fee payable was \$484,492.

11. DEFINED BENEFIT PENSION PLAN

Plan Description

The Authority is a participant in the South Carolina Retirement System (SCRS), a cost-sharing multiple employer defined benefit pension plan, joining the plan effective October 1, 2015. The plan was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions. Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a class two member. An employee member of the system with an effective date of membership after July 1, 2012, is a class three member. SCRS is administered by the South Carolina Public Benefit Authority (PEBA).

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and the employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plan, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year. For the year ended June 30, 2016, the employer contribution rates were 10.75% of member's compensation and .15% of member's compensation for incidental death benefits. Total contributions during the fiscal year ending September 30, 2016 were \$294,631.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publically available through the Retirement Benefits link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC, 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial statement information is also included in the comprehensive annual financial report of the state.

11. DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions

Actuarial Assumptions involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The next experience study is scheduled to be conducted after the June 30, 2016 annual valuation is complete.

The total pension liability for the South Carolina Public Employee Benefit Authority was determined based on the most recent actuarial valuation, which was conducted using membership data as of July 1, 2015, projected forward to the end of the fiscal year, and financial information as of June 30, 2016, using generally accepted actuarial procedures.

The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all periods included in this measurement:

Valuation Date	July 1, 2015
Experience Study	July 1, 2010
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Amortization Period	30 years, open
Asset Valuation Method	5-year Smoothed Market
Inflation	2.75%
Salary Increase	3.50% to 12.50% (varies by service)
Investment Rate of Return	7.50%

The rates of mortality for the period after service retirement are according to RP-2000 Mortality Table projected by the Society of Actuaries. The multipliers used in the table are adjusted according to plan experience.

The long-term expected rate on return of pension plan investments is based upon the thirty year capital market outlook at the end of the fourth quarter of 2013. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economics forecasts. The most recent experience study is outlined in the report and dated July 1, 2010. The expected returns, along with expected inflation rate, form the basis for the target asset allocation adopted for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

DRAFT

11. DEFINED BENEFIT PENSION PLAN (continued)

and by adding expected inflation. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the Systems fiduciary net position was projected to be available to make all the projected future benefit payments of 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.

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contribution or employer contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments and projected and actual experience are netted and amortized over a closed five year period.

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the below table presents the Net Pension Liability calculated using the discount rate of 7.50%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

	1.0% Decrease (6.50%)	Current Discount Rate (7.50%)	1.0% Increase (8.50%)
SHA's Net Pension Liability	\$1,956,400	\$2,468,536	\$3,082,531

11. DEFINED BENEFIT PENSION PLAN (continued)

Summary of Significant Accounting Policies

Employee, employer, and state-appropriated contributions are recognized in the period in which they are due, pursuant to formal commitments as well as statutory requirements. Substantially all contributions receivable are collected within thirty days of year end.

Basis of Accounting

All funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan.

Use of Estimates

The preparation of the Schedules in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. PEBA accrues employer contributions using estimates based on historical data. Actual results could differ from those estimates.

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the South Carolina Retirement System (SCRS). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

	Net Pension Liability as of 6/30/15	Net Pension Liability as of 6/30/16	Percent of Collective NPL
Employer Proportionate Share	\$2,419,430	\$2,468,536	0.011327%

At June 30, 2016, the employer recorded a liability of \$2,468,536 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2015. The employer's proportion of the Net Pension Liability was based on the employer's contributions received by SCRS during the measurement period July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of SCRS' participating employers. At June 30, 2016, the employer's proportion was .0011327%.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

DRAFT

11. DEFINED BENEFIT PENSION PLAN (continued)

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense

At September 30, 2016, the employer recognized a prior period adjustment of \$320,188 to record the initial liability incurred as a result of their first year of participation of the plan. The Authority also recognized \$294,631 in pension expense for its proportionate share of the SCRS' Pension Expense for the year ended September 30, 2016.

Deferred Inflows and Outflows

For fiscal year 2016, the employer reported its proportionate share of SCRS' deferred outflows of resources and deferred inflows of resources related to SCRS from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Liability Experience	\$ 25,809	\$ 2,628
Investment Experience	293,469	84,349
Changes in proportion differences between employer contributions and proportionate share of contributions	1,621,416	-
Total	\$ 1,940,694	\$ 86,977

Amounts reported as deferred outflows of resources related to pensions resulting from employers' contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

For the Year Ended June 30:	Recognition of Existing Deferred Outflow (Inflow) of Resources, Net
2017	\$ 12,929
2018	\$ 7,607
2019	\$ 32,508
2020	\$ 18,745

11. DEFINED BENEFIT PENSION PLAN (continued)

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

In addition to the above plan, the Authority provides pension benefits for employees that did not elect to participate in the state plan through a defined contribution plan. The plan is administered by Mutual of America. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority contributes 5% of the employees' covered salaries, while the employees are not required to contribute to the plan. During fiscal year 2016, the Authority made the required contributions in the amount of \$46,264 based upon total payroll wage coverage of \$, , .

12. RELATED PARTY TRANSACTIONS

In March of 2007, the Authority issued \$13,900,000 of Multi-Family Tax Exempt Bonds to finance a portion of the construction and rehabilitation of the Spartanburg Southside Project, consisting of four low income housing rental unit projects located in the Spartanburg area, and owned by CS1, LLC, and an affiliated limited liability company. Other financing sources of the Southside Project mixed financing arrangement consisted primarily of CSI, LLC tax credit equity, state and local grants, and HOPE VI funds. Upon issuance, the \$13,900,000 bond funds were loaned to CS1, LLC, and secured by the Southside Project property.

According to the loan agreement, \$10,295,000 has been repaid from Investor Member contributions and a balance exists on the Bonds of \$3,445,000. Neither the notes receivable from CS1, LLC or the Bonds payable is recorded on the Housing Authority books. This is considered to be a conduit debt obligation. The mortgage note receivable is explained in Note 6 to the financial statements.

As stated in Note 6, Notes Receivable, and Note 7, Other Noncurrent Assets, there exist amounts invested in and loaned to affiliated tax credit properties. The transactions have been stated in these notes to the financial statements and are not restated in the note for related parties. Additionally, that has been surplus cash funds in the amount of \$138,369 received during the year from excess cash from certain tax credit properties. Each of the tax credit properties are managed by private management companies and not the Housing Authority.

13. ECONOMIC DEPENDENCY

The PHA Owned Housing Program is economically dependent on annual contributions and grants from HUD. The program operates at a loss prior to receiving the contributions and grants.

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

DRAFT

14. COMMITMENTS & CONTINGENCIES

The Authority is exposed to various risks of losses related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims & liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were no claims in excess of commercial coverage during the fiscal year.

Legal

The Authority was named in a class action lawsuit related to the existence of bed bugs in one of the properties. The status of the claim is such that no outcome is determinable at this time. Management believes the potential adverse impact of this claim would not be material to the financial statements of the Authority.

Grants and Contracts

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional based upon compliance with terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. There were no such liabilities recorded as of September 30, 2016.

Capital fund

The Authority receives capital funding each year for ongoing capital improvements and repairs and maintenance.

Operating Leases

During November 2015, SHA entered into an operating lease agreement effective January 1, 2016. Future minimum lease payments under the operating lease are as follows:

2017	\$ 139,875
2018	139,875
2019	139,875
2020	139,875
2021	34,969
	<u><u>\$ 594,469</u></u>

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

DRAFT

14. COMMITMENTS & CONTINGENCIES (continued)

Property Taxes

In addition to the above, the Authority is responsible for property taxes to be reimbursed to the landlord in December each year.

15. RESTRICTED NET POSITION

Primary Government

Restricted Net Position (equity) as of September 30, 2016, consisted of the following:

<u>Description</u>	<u>Amount</u>
Restricted cash	\$ 2,079,290
Notes receivable	22,560,633
Less: Tenant security deposits	(128,745)
Less: Trust deposits	<u>(56,101)</u>
	<u><u>\$ 24,455,077</u></u>

16. PRIOR PERIOD ADJUSTMENT

The Net Position of the Authority as of October 1, 2015 has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statements No. 71, as well as a correction of an error. In prior years, the Authority had decreased the South Carolina State Housing Finance and Development Authority's loan balance (see Note 10) 5% each year. However, although the loan is considered forgivable, the loan balance should remain at its original amount until the note matures.

	<u>Amount</u>
Net Position as previously reported at September 30, 2015	\$ 48,399,424
Net Pension Liability (measurement date July 1, 2015)	751,690
Deferred Outflows:	
Pension Plan Earnings	(1,071,878)
Correction of Error	(88,657)
Total Prior Period Adjustment	<u>(408,845)</u>
Net Position, as restated, October 1, 2015	<u><u>\$ 47,990,579</u></u>

17. SUBSEQUENT EVENTS

Rental Assistance Demonstration (RAD)

The Authority is participating in HUD's Rental Assistance Demonstration Program (RAD) whereby the Authority is converting certain public housing sites to a form of project-based assistance under Section 8 of the Housing Act of 1937. This program is taking place in multiple phases based on property sites administered by the Authority and includes the transfer of ownership of these sites to private developers.

During fiscal year 2016, the Authority settled on the first of these RAD sites. Upon settlement, the new owners assume management of the sites and will begin the agreed upon redevelopment work. The Authority will have no employees at the settled sites and terminated all related contracts and obligations related to each site's operations.

Proceeds of the settlements will be recognized by the Authority and the related capital assets removed from the financial statements. Transactions related to RAD are reflected in these financial statements for the fiscal year ending September 30, 2016.

Additional settlements on other sites are expected to take place in fiscal year 2017.

Default & Foreclosure on Wells Fargo Loan (Discretely Presented Component Unit)

On February 9, 2016, Mary Wright LLC failed to remit the balloon loan payments on the \$3,750,000 loans on the South Caulder facility and the loan was placed into default by Wachovia Community Development during February 2015. On April 3, 2016, Mary Wright LLC received a notice demanding full repayment of both loan balances within 10 days. Due to the inability of this entity to repay these loans, no further debt service payments were made on these loans. As a result of this default, Wells Fargo attempted to renegotiate the terms of the loan with Mary Wright officials but were unable to reach a settlement. After it became clear that retention of the facility by Mary Wright LLC was no longer an option, Wells Fargo attached all assets of Mary Wright LLC, Wright Center LLC and SHA Property Company (the blended Component unit of SHA that contained an ownership interest in that entity) and began the foreclosure process which did not officially occur until January 2017.

18. FUTURE ACCOUNTING PRONOUNCEMENTS

GASB routinely issues standards that are effective for future years. Management is currently evaluating the potential impact of those standards issued by GASB on the Authority for future years.

DRAFT

SPARTANBURG HOUSING AUTHORITY
SCHEDULE OF FUNDING PROGRESS - SCRS
Year Ended September 30, 2016
(Dollar amounts expressed in thousands)

<u>Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as % of Covered Payroll</u>
7/1/2015	\$ 27,365,921	\$ 44,119,176	\$ 16,753,255	62.03%	\$ 7,765,588	215.74%

DRAFT

SPARTANBURG HOUSING AUTHORITY
SCHEDULE OF FUNDING PROGRESS - PORS
Year Ended September 30, 2016
(Dollar amounts expressed in thousands)

<u>Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as % of Covered Payroll</u>
7/1/2015	\$ 4,266,794	\$ 6,162,095	\$ 1,895,301	69.24%	\$ 1,105,703	171.41%

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
September 30, 2016

DRAFT

1. SCHEDULES OF FUNDING PROGRESS

The amounts shown on the schedules are for the entire South Carolina Retirement System (SCRS) pension plan, and for the entire Police Officers' Retirement System (PORS) pension plan as a whole as the information was not available for allocated portion related to the Housing Authority of the City of Spartanburg.

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
BALANCE SHEET SUMMARY
September 30, 2016

DRAFT

	Low-Rent Public Housing 14,850	Housing Choice Vouchers 14,871	Business Activities	Multifamily Housing Service Coordinators 14,191	Youth Build Program 17,274
ASSETS AND DEFERRED OUTFLOW OF RESOURCES					
CURRENT ASSETS:					
Cash:					
Cash - Unrestricted	3,502,430	324,462	-	-	-
Cash - Restricted- Modernization and Development	3,091	-	-	-	-
Cash - Other Restricted	5,451	430,998	-	-	-
Cash - Tenant Security Deposits	98,317	-	-	-	-
Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-
Total Cash	3,609,289	755,460	-	-	-
Accounts and notes receivables:					
Accounts Receivable - PHA Projects	-	8,512	-	-	-
Accounts Receivable - HUD Other Projects	-	-	-	70,518	-
Accounts Receivable- Other Government	-	-	-	-	41,988
Accounts Receivable - Miscellaneous	-	5,955	-	-	-
Accounts Receivable - Tenants	24,070	-	-	-	-
Allowance for Doubtful Accounts -Tenants	(5,805)	-	-	-	-
Allowance for Doubtful Accounts - Other	-	-	-	-	-
Notes, Loans, & Mortgages Receivable - Current	-	-	18,000	-	-
Fraud Recovery	-	47,492	-	-	-
Allowance for Doubtful Accounts - Fraud	-	(47,492)	-	-	-
Accrued Interest Receivable	-	-	-	-	-
Total Receivables, Net	18,265	14,467	18,000	70,518	41,988
Other Current Assets:					
Investments - Unrestricted	-	-	-	-	-
Investments - Restricted	-	-	-	-	-
Investments- Restricted for Payment of Current Liability	-	-	-	-	-
Prepaid Expenses and Other Assets	-	-	-	-	-
Inventories	-	-	-	-	-
Allowance for Obsolete Inventories	-	-	-	-	-
Inter Program Due From	-	-	-	-	-
Assets Held for Sale	-	-	59,800	-	-
TOTAL CURRENT ASSETS	3,627,554	769,927	77,800	70,518	41,988
NONCURRENT ASSETS:					
Capital Assets:					
Land	2,830,436	-	593,781	-	-
Buildings	29,489,454	-	675,684	-	-
Furniture, Equipment & Machinery - Dwellings	454,258	-	-	-	-
Furniture, Equipment & Machinery - Administration	-	133,977	-	-	-
Accumulated Depreciation	(20,991,036)	(125,923)	(218,414)	-	-
Construction in Progress	60,006	-	-	-	-
Infrastructure	-	-	-	-	-
Total Capital Assets, Net	11,843,118	8,054	1,051,051	-	-
Notes, Loans and Mortgages Receivable - Non-Current	8,244,574	-	13,998,059	-	-
Notes, Loans and Mortgages Receivable - Non-Current - Past Due	-	-	-	-	-
Grants Receivable- Non Current	-	-	-	-	-
Other Assets	-	-	-	-	-
Investments in Joint Ventures	47,146	-	2,186,865	-	-
TOTAL NONCURRENT ASSETS	20,134,838	8,054	17,235,975	-	-
DEFERRED OUTFLOW OF RESOURCES	589,174	149,782	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	24,351,566	927,763	17,313,775	70,518	41,988

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
BALANCE SHEET SUMMARY
September 30, 2016

DRAFT

	ROSS 14.870	Section 8 Moderate Housing Assistance 14.856	New Construction Section 8 Programs 14.182	CDBG	HOME
ASSETS AND DEFERRED OUTFLOW OF RESOURCES					
CURRENT ASSETS:					
Cash:					
Cash - Unrestricted	-	11,305	723,135	-	-
Cash - Restricted- Modernization and Development	-	-	-	-	-
Cash - Other Restricted	-	406,625	1,102,784	-	-
Cash - Tenant Security Deposits	-	-	22,422	-	-
Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-
Total Cash	-	417,930	1,848,341	-	-
Accounts and notes receivables:					
Accounts Receivable - PHA Projects	-	-	-	-	-
Accounts Receivable - HUD Other Projects	40,995	-	-	2,156	-
Accounts Receivable- Other Government	-	-	-	-	-
Accounts Receivable - Miscellaneous	-	-	-	-	-
Accounts Receivable - Tenants	-	9,029	1,111	-	-
Allowance for Doubtful Accounts - Tenants	-	(7,558)	(357)	-	-
Allowance for Doubtful Accounts - Other	-	-	-	-	-
Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-
Fraud Recovery	-	-	-	-	-
Allowance for Doubtful Accounts - Fraud	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-
Total Receivables, Net	40,995	1,471	754	2,156	-
Other Current Assets:					
Investments - Unrestricted	-	-	-	-	-
Investments - Restricted	-	-	-	-	-
Investments- Restricted for Payment of Current Liability	-	-	-	-	-
Prepaid Expenses and Other Assets	-	204	-	-	-
Inventories	-	-	-	-	-
Allowance for Obsolete Inventories	-	-	-	-	-
Inter Program Due From	-	-	-	-	-
Assets Held for Sale	-	-	-	-	-
TOTAL CURRENT ASSETS	40,995	419,605	1,849,095	2,156	-
NONCURRENT ASSETS:					
Capital Assets:					
Land	-	-	408,618	-	-
Buildings	-	-	3,110,009	-	-
Furniture, Equipment & Machinery - Dwellings	-	-	94,314	-	-
Furniture, Equipment & Machinery - Administration	-	-	47,268	-	-
Accumulated Depreciation	-	-	(3,251,591)	-	-
Construction in Progress	-	-	-	-	-
Infrastructure	-	-	-	-	-
Total Capital Assets, Net	-	-	408,618	-	-
Notes, Loans and Mortgages Receivable - Non-Current	-	-	190,541	-	-
Notes, Loans and Mortgages Receivable - Non-Current - Past Due	-	-	-	-	-
Grants Receivable- Non Current	-	-	-	-	-
Other Assets	-	-	-	-	-
Investments in Joint Ventures	-	-	-	-	-
TOTAL NONCURRENT ASSETS	-	-	599,159	-	-
DEFERRED OUTFLOW OF RESOURCES	-	-	18,589	-	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	40,995	419,605	2,466,843	2,156	-

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
BALANCE SHEET SUMMARY
September 30, 2016

DRAFT

	Section 8 Special Allocations 14.195	State/Local	Blended Component Unit	COCC	Subtotal
ASSETS AND DEFERRED OUTFLOW OF RESOURCES					
CURRENT ASSETS:					
Cash:					
Cash - Unrestricted	-	939,654	-	22,331	5,523,317
Cash - Restricted- Modernization and Development	-	-	-	-	3,091
Cash - Other Restricted	-	1,829	-	-	1,947,687
Cash - Tenant Security Deposits	-	-	7,773	-	128,512
Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-
Total Cash	-	941,483	7,773	22,331	7,602,607
Accounts and notes receivables:					
Accounts Receivable - PHA Projects	-	-	-	-	8,512
Accounts Receivable - HUD Other Projects	-	-	-	-	113,669
Accounts Receivable- Other Government	-	-	-	-	41,988
Accounts Receivable - Miscellaneous	-	-	123,940	16,318	146,213
Accounts Receivable - Tenants	-	-	154	-	34,364
Allowance for Doubtful Accounts -Tenants	-	-	-	-	(13,720)
Allowance for Doubtful Accounts - Other	-	-	(101,477)	-	(101,477)
Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	18,000
Fraud Recovery	-	-	-	-	47,492
Allowance for Doubtful Accounts - Fraud	-	-	-	-	(47,492)
Accrued Interest Receivable	-	-	-	-	-
Total Receivables, Net	-	-	22,617	16,318	247,549
Other Current Assets:					
Investments - Unrestricted	-	-	-	-	-
Investments - Restricted	-	-	-	-	-
Investments- Restricted for Payment of Current Liability	-	-	-	-	-
Prepaid Expenses and Other Assets	-	-	8,715	124,823	133,742
Inventories	-	-	-	-	-
Allowance for Obsolete Inventories	-	-	-	-	-
Inter Program Due From	-	-	-	1,106,785	1,106,785
Assets Held for Sale	-	-	-	-	59,800
TOTAL CURRENT ASSETS	-	941,483	39,105	1,270,257	9,150,483
NONCURRENT ASSETS:					
Capital Assets:					
Land	-	1,283,790	307,521	-	5,424,146
Buildings	-	1,199,558	1,933,374	3,226	36,411,305
Furniture, Equipment & Machinery - Dwellings	-	-	-	-	548,572
Furniture, Equipment & Machinery - Administration	-	-	47,211	525,099	753,555
Accumulated Depreciation	-	-	(1,090,756)	(519,189)	(26,196,909)
Construction in Progress	-	-	-	-	60,006
Infrastructure	-	-	-	-	-
Total Capital Assets, Net	-	2,483,348	1,197,350	9,136	17,000,675
Notes, Loans and Mortgages Receivable - Non-Current	-	-	300,000	-	22,733,174
Notes, Loans and Mortgages Receivable - Non-Current - Past Due	-	-	-	-	-
Grants Receivable- Non Current	-	-	-	-	-
Other Assets	-	-	-	-	-
Investments in Joint Ventures	-	-	93,125	-	2,327,136
TOTAL NONCURRENT ASSETS	-	2,483,348	1,590,475	9,136	42,060,985
DEFERRED OUTFLOW OF RESOURCES	-	-	-	1,183,149	1,940,694
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	-	3,424,831	1,629,580	2,462,542	51,211,468

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
BALANCE SHEET SUMMARY
September 30, 2016

DRAFT

	ELIM	Total	Discretely Presented Component Unit	Grand Total
ASSETS AND DEFERRED OUTFLOW OF RESOURCES				
CURRENT ASSETS:				
Cash:				
Cash - Unrestricted	-	5,523,317	6,450	5,529,767
Cash - Restricted- Modernization and Development	-	3,091	-	3,091
Cash - Other Restricted	-	1,947,687	-	1,947,687
Cash - Tenant Security Deposits	-	128,512	-	128,512
Cash - Restricted for Payment of Current Liabilities	-	-	-	-
Total Cash	-	7,602,607	6,450	7,609,057
Accounts and notes receivables:				
Accounts Receivable - PHA Projects	-	8,512	-	8,512
Accounts Receivable - HUD Other Projects	-	113,669	-	113,669
Accounts Receivable- Other Government	-	41,988	-	41,988
Accounts Receivable - Miscellaneous	-	146,213	-	146,213
Accounts Receivable - Tenants	-	34,364	-	34,364
Allowance for Doubtful Accounts -Tenants	-	(13,720)	-	(13,720)
Allowance for Doubtful Accounts - Other	-	(101,477)	-	(101,477)
Notes, Loans, & Mortgages Receivable - Current	-	18,000	-	18,000
Fraud Recovery	-	47,492	-	47,492
Allowance for Doubtful Accounts - Fraud	-	(47,492)	-	(47,492)
Accrued Interest Receivable	-	-	-	-
Total Receivables, Net	-	247,549	-	247,549
Other Current Assets:				
Investments - Unrestricted	-	-	-	-
Investments - Restricted	-	-	-	-
Investments- Restricted for Payment of Current Liability	-	-	-	-
Prepaid Expenses and Other Assets	-	133,742	-	133,742
Inventories	-	-	-	-
Allowance for Obsolete Inventories	-	-	-	-
Inter Program Due From	(1,106,785)	-	-	-
Assets Held for Sale	-	59,800	-	59,800
TOTAL CURRENT ASSETS	(1,106,785)	8,043,698	6,450	8,050,148
NONCURRENT ASSETS:				
Capital Assets:				
Land	-	5,424,146	62,064	5,486,210
Buildings	-	36,411,305	2,087,936	38,499,241
Furniture, Equipment & Machinery - Dwellings	-	548,572	-	548,572
Furniture, Equipment & Machinery - Administration	-	753,555	-	753,555
Accumulated Depreciation	-	(26,196,909)	(251,990)	(26,448,899)
Construction in Progress	-	60,006	-	60,006
Infrastructure	-	-	-	-
Total Capital Assets, Net	-	17,000,675	1,898,010	18,898,685
Notes, Loans and Mortgages Receivable - Non-Current	(190,541)	22,542,633	-	22,542,633
Notes, Loans and Mortgages Receivable - Non-Current - Past Due	-	-	-	-
Grants Receivable- Non Current	-	-	-	-
Other Assets	-	-	-	-
Investments in Joint Ventures	-	2,327,136	-	2,327,136
TOTAL NONCURRENT ASSETS	(190,541)	41,870,444	1,898,010	43,768,454
DEFERRED OUTFLOW OF RESOURCES	-	1,940,694	-	1,940,694
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	(1,297,326)	51,854,836	1,904,460	53,759,296

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
BALANCE SHEET SUMMARY
September 30, 2016

DRAFT

	Low-Rent Public Housing 14,850	Housing Choice Vouchers 14,871	Business Activities	Multifamily Housing Service Coordinators 14,191	Youth Build Program 17,274
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION					
LIABILITIES:					
CURRENT LIABILITIES:					
Bank Overdraft	-	-	-	-	-
Accounts Payable <= 90 Days	279,140	94,423	-	190	1,299
Accounts Payable >90 Days Past Due	-	-	206	1,513	-
Accrued Wage/Payroll Taxes Payable	19,832	8,892	-	-	4,089
Accrued Compensated Absences - Current Portion	3,600	5,069	-	-	115
Accrued Contingency Liability	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-
Accounts Payable - HUD PHA Programs	-	-	-	-	-
Account Payable - PHA Projects	-	-	-	-	-
Accounts Payable - Other Government	-	-	-	-	-
Tenant Security Deposits	98,317	-	-	-	-
Unearned Revenue	10,512	-	-	-	-
Current Portion of Long Term Debt - Capital Projects/Mortgage Revenue	-	-	22,488	-	-
Current Portion of Long Term Debt-Operating Borrowings	-	-	-	-	-
Other Current Liabilities	-	-	14,430	-	-
Accrued Liabilities - Other	30,112	5,125	-	-	-
Inter Program - Due To	-	-	501,212	68,815	35,834
Loan Liability - Current	-	-	-	-	-
TOTAL CURRENT LIABILITIES	441,513	113,509	538,336	70,518	41,337
NONCURRENT LIABILITIES:					
Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	388,667	-	-
Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-
Non-current Liabilities - Other	8,542	47,559	-	-	-
Accrued Compensated Absences - Non Current	20,396	28,722	-	-	651
Loan Liability - Non Current	-	-	190,541	-	-
FASB 5 Liabilities	-	-	-	-	-
Accrued Pension and OPEB Liabilities	749,421	190,520	-	-	-
TOTAL NONCURRENT LIABILITIES	778,359	266,801	579,208	-	651
TOTAL LIABILITIES	1,219,872	380,310	1,117,544	70,518	41,988
DEFERRED INFLOW OF RESOURCES	26,405	6,713	-	-	-
NET POSITION :					
Net Investment in Capital Assets	11,843,118	8,054	639,896	-	-
Restricted Net Position	8,244,574	383,439	13,825,518	-	-
Unrestricted Net Position	3,017,597	149,247	1,730,817	-	-
TOTAL NET POSITION	23,105,289	540,740	16,196,231	-	-
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	24,351,566	927,763	17,313,775	70,518	41,988

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
BALANCE SHEET SUMMARY
September 30, 2016

DRAFT

	ROSS 14.870	Section 8 Moderate Housing Assistance 14.856	New Construction Section 8 Programs 14.182	CDBG	HOME
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION					
LIABILITIES:					
CURRENT LIABILITIES:					
Bank Overdraft	-	-	-	-	-
Accounts Payable <= 90 Days	1,074	6,251	53,206	993	166,736
Accounts Payable >90 Days Past Due	-	-	-	-	-
Accrued Wage/Payroll Taxes Payable	3,586	6,713	71	-	-
Accrued Compensated Absences - Current Portion	-	-	870	-	-
Accrued Contingency Liability	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-
Accounts Payable - HUD PHA Programs	-	406,625	-	-	-
Account Payable - PHA Projects	-	-	-	-	-
Accounts Payable - Other Government	-	-	-	-	-
Tenant Security Deposits	-	-	22,422	-	-
Unearned Revenue	-	16	9	-	-
Current Portion of Long Term Debt - Capital Projects/Mortgage Revenue	-	-	-	-	-
Current Portion of Long Term Debt-Operating Borrowings	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Accrued Liabilities - Other	-	-	-	-	-
Inter Program - Due To	36,335	-	-	1,163	-
Loan Liability - Current	-	-	-	-	-
TOTAL CURRENT LIABILITIES	40,995	419,605	76,578	2,156	166,736
NONCURRENT LIABILITIES:					
Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-
Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-
Non-current Liabilities - Other	-	-	-	-	-
Accrued Compensated Absences - Non Current	-	-	4,928	-	-
Loan Liability - Non Current	-	-	-	-	-
FASB 5 Liabilities	-	-	-	-	-
Accrued Pension and OPEB Liabilities	-	-	23,646	-	-
TOTAL NONCURRENT LIABILITIES	-	-	28,574	-	-
TOTAL LIABILITIES	40,995	419,605	105,152	2,156	166,736
DEFERRED INFLOW OF RESOURCES					
		-	833		
NET POSITION :					
Net Investment in Capital Assets	-	-	408,618	-	-
Restricted Net Position	-	406,625	1,293,325	-	-
Unrestricted Net Position	-	(406,625)	658,915	-	(166,736)
TOTAL NET POSITION	-	-	2,360,858	-	(166,736)
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION					
	40,995	419,605	2,466,843	2,156	-

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
BALANCE SHEET SUMMARY
September 30, 2016

DRAFT

	Section 8 Special Allocations 14.195	State/Local	Blended Component Unit	COCC	Subtotal
<hr/>					
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION					
LIABILITIES:					
CURRENT LIABILITIES:					
Bank Overdraft	-	-	-	-	-
Accounts Payable <= 90 Days	-	-	24,162	178,874	806,348
Accounts Payable >90 Days Past Due	-	-	-	-	1,719
Accrued Wage/Payroll Taxes Payable	-	-	334	19,690	63,207
Accrued Compensated Absences - Current Portion	-	-	-	7,522	17,176
Accrued Contingency Liability	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-
Accounts Payable - HUD PHA Programs	-	-	-	-	406,625
Account Payable - PHA Projects	-	-	-	-	-
Accounts Payable - Other Government	-	-	-	-	-
Tenant Security Deposits	-	-	8,006	-	128,745
Unearned Revenue	-	-	-	-	10,537
Current Portion of Long Term Debt - Capital Projects/Mortgage Revenue	-	-	-	-	22,488
Current Portion of Long Term Debt-Operating Borrowings	-	-	-	-	-
Other Current Liabilities	-	1,829	266	-	16,525
Accrued Liabilities - Other	-	-	20,581	31,966	87,784
Inter Program - Due To	-	-	463,426	-	1,106,785
Loan Liability - Current	-	-	-	-	-
TOTAL CURRENT LIABILITIES	-	1,829	516,775	238,052	2,667,939
<hr/>					
NONCURRENT LIABILITIES:					
Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	388,667
Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-
Non-current Liabilities - Other	-	-	-	-	56,101
Accrued Compensated Absences - Non Current	-	-	-	41,264	95,961
Loan Liability - Non Current	-	-	-	-	190,541
FASB 5 Liabilities	-	-	-	-	-
Accrued Pension and OPEB Liabilities	-	-	-	1,504,949	2,468,536
TOTAL NONCURRENT LIABILITIES	-	-	-	1,546,213	3,199,806
<hr/>					
TOTAL LIABILITIES	-	1,829	516,775	1,784,265	5,867,745
<hr/>					
DEFERRED INFLOW OF RESOURCES				53,026	86,977
<hr/>					
NET POSITION :					
Net Investment in Capital Assets	-	2,483,348	1,197,350	9,136	16,589,520
Restricted Net Position	-	1,829	299,767	-	24,455,077
Unrestricted Net Position	-	937,825	(384,312)	616,115	6,152,843
TOTAL NET POSITION	-	3,423,002	1,112,805	625,251	47,197,440
<hr/>					
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	-	3,424,831	1,629,580	2,462,542	53,065,185
<hr/>					

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
BALANCE SHEET SUMMARY
September 30, 2016

DRAFT

	ELIM	Total	Discretely Presented Component Unit	Grand Total
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION				
LIABILITIES:				
CURRENT LIABILITIES:				
Bank Overdraft	-	-	-	-
Accounts Payable <= 90 Days	-	806,348	17,333	823,681
Accounts Payable >90 Days Past Due	-	1,719	-	1,719
Accrued Wage/Payroll Taxes Payable	-	63,207	-	63,207
Accrued Compensated Absences - Current Portion	-	17,176	-	17,176
Accrued Contingency Liability	-	-	-	-
Accrued Interest Payable	-	-	630,934	630,934
Accounts Payable - HUD PHA Programs	-	406,625	-	406,625
Account Payable - PHA Projects	-	-	-	-
Accounts Payable - Other Government	-	-	-	-
Tenant Security Deposits	-	128,745	-	128,745
Unearned Revenue	-	10,537	-	10,537
Current Portion of Long Term Debt - Capital Projects/Mortgage Revenue	-	22,488	1,928,376	1,950,864
Current Portion of Long Term Debt-Operating Borrowings	-	-	-	-
Other Current Liabilities	-	16,525	134,593	151,118
Accrued Liabilities - Other	-	87,784	-	87,784
Inter Program - Due To	(1,106,785)	-	-	-
Loan Liability - Current	-	-	-	-
TOTAL CURRENT LIABILITIES	(1,106,785)	1,561,154	2,711,236	4,272,390
NONCURRENT LIABILITIES:				
Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	388,667	-	388,667
Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-
Non-current Liabilities - Other	-	56,101	1,222,505	1,278,606
Accrued Compensated Absences - Non Current	-	95,961	-	95,961
Loan Liability - Non Current	(190,541)	-	750,000	750,000
FASB 5 Liabilities	-	-	-	-
Accrued Pension and OPEB Liabilities	-	2,468,536	-	2,468,536
TOTAL NONCURRENT LIABILITIES	(190,541)	3,009,265	1,972,505	4,981,770
TOTAL LIABILITIES	(1,297,326)	4,570,419	4,683,741	9,254,160
DEFERRED INFLOW OF RESOURCES				
	-	86,977	-	86,977
NET POSITION :				
Net Investment in Capital Assets	-	16,589,520	(780,366)	15,809,154
Restricted Net Position	-	24,455,077	-	24,455,077
Unrestricted Net Position	-	6,152,843	(1,998,915)	4,153,928
TOTAL NET POSITION	-	47,197,440	(2,779,281)	44,418,159
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	(1,297,326)	51,854,836	1,904,460	53,759,296

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
September 30, 2016

DRAFT

	Low-Rent Public Housing 14,850	Housing Choice Vouchers 14,871	Business Activities	Multifamily Housing Service Coordinators 14,191	Youth Build Program 17,274
REVENUES:					
Net Tenant Rental Revenue	1,310,620	-	-	-	-
Tenant Revenue - Other	149,130	-	-	-	-
Total Tenant Revenue	1,459,750	-	-	-	-
HUD PHA Operating Grants	3,832,102	10,467,607	-	71,365	-
Capital Grants	2,849,950	-	-	-	-
Management Fee	-	-	-	-	-
Asset Management Fee	-	-	-	-	-
Book Keeping Fee	-	-	-	-	-
Front Line Service Fee	-	-	-	-	-
Other Fees	-	-	-	-	-
Total Fees Revenue	-	-	-	-	-
Other Government Grants	-	-	-	-	599,562
Investment Income - Unrestricted	-	-	-	-	-
Mortgage Interest Income	-	-	10,355	-	-
Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-
Cost of Sale of Assets	-	-	-	-	-
Fraud Recovery	-	25,932	-	-	-
Other Revenue	250,309	1,012,724	1,177	-	34
Gain or Loss on Sale of Capital Assets	(4,736,130)	-	384,642	-	-
Investment Income - Restricted	-	-	-	-	-
TOTAL REVENUES	3,655,981	11,506,263	396,174	71,365	599,596
EXPENSES:					
Administrative					
Administrative Salaries	529,223	318,063	-	-	129,968
Auditing Fees	6,127	6,675	-	-	-
Management Fee	520,783	278,772	-	-	42,186
Book-keeping Fee	100,120	175,216	-	-	-
Advertising and Marketing	3,789	-	-	-	-
Employee Benefit contributions - Administrative	206,978	107,643	-	-	35,944
Office Expenses	82,616	97,702	788	-	59,647
Legal Expense	5,261	1,654	5	-	-
Travel Expense	2,976	5,834	-	116	1,445
Allocated Overhead	-	-	-	-	-
Other	102,528	60,302	2,757	7,728	-
Total Administrative Expense	1,560,401	1,051,861	3,550	7,844	269,190
Asset Management Fee	74,360	-	-	-	-
Tenant Services					
Tenant Services - Salaries	-	-	-	51,750	-
Relocation Costs	8,352	5,431	-	-	-
Employee Benefit Contributions - Tenant Services	3,244	825	-	6,122	-
Tenant Services - Other	16,026	-	-	-	296,274
Total Tenant Services	27,622	6,256	-	57,872	296,274
Utilities					
Water	148,544	-	1,525	-	102
Electricity	368,773	-	2,416	-	1,480
Gas	126,194	-	52	-	38
Fuel	-	-	-	-	-
Labor	558	-	-	-	-
Sewer	214,143	-	-	-	-
Employee Benefit Contributions - Utilities	-	-	-	-	-
Other Utilities Expense	-	-	2,054	-	-
Total Utilities	858,212	-	6,047	-	1,620
Ordinary Maintenance & Operations					
Ordinary Maintenance and Operations - Labor	335,942	-	-	-	-
Ordinary Maintenance and Operations - Materials and Other	218,840	8,445	3,104	561	6,768
Ordinary Maintenance and Operations Contracts	777,188	12,796	14,738	-	-
Employee Benefit Contributions - Ordinary Maintenance	104,972	3,545	-	-	-
Total Maintenance	1,436,942	24,786	17,842	561	6,768

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
September 30, 2016

DRAFT

	ROSS 14.870	Section 8 Moderate Housing Assistance 14.856	New Construction Section 8 Programs 14.182	CDBG	HOME
REVENUES:					
Net Tenant Rental Revenue	-	-	323,031	-	-
Tenant Revenue - Other	-	-	2,230	-	-
Total Tenant Revenue	-	-	325,261	-	-
HUD PHA Operating Grants	251,690	1,751,371	497,366	9,219	677,397
Capital Grants	-	-	-	-	-
Management Fee	-	-	-	-	-
Asset Management Fee	-	-	-	-	-
Book Keeping Fee	-	-	-	-	-
Front Line Service Fee	-	-	-	-	-
Other Fees	-	-	-	-	-
Total Fees Revenue	-	-	-	-	-
Other Government Grants	-	-	-	-	-
Investment Income - Unrestricted	-	5	-	-	-
Mortgage Interest Income	-	-	-	-	-
Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-
Cost of Sale of Assets	-	-	-	-	-
Fraud Recovery	-	-	-	-	-
Other Revenue	-	2,451	878	-	-
Gain or Loss on Sale of Capital Assets	-	-	-	-	-
Investment Income - Restricted	-	-	-	-	-
TOTAL REVENUES	251,690	1,753,827	823,505	9,219	677,397
EXPENSES:					
Administrative					
Administrative Salaries	135,871	101,621	51,670	-	-
Auditing Fees	-	2,997	4,500	-	-
Management Fee	-	36,564	64,269	-	-
Book-keeping Fee	-	22,853	8,895	-	-
Advertising and Marketing	-	-	-	-	-
Employee Benefit contributions - Administrative	17,558	29,271	15,228	-	-
Office Expenses	2,428	12,530	21,717	-	-
Legal Expense	-	5,055	-	-	-
Travel Expense	865	-	579	-	-
Allocated Overhead	-	-	-	-	-
Other	30,530	-	-	-	-
Total Administrative Expense	187,252	210,891	166,858	-	-
Asset Management Fee	-	-	12,000	-	-
Tenant Services					
Tenant Services - Salaries	39,209	-	-	-	-
Relocation Costs	-	-	937	-	-
Employee Benefit Contributions - Tenant Services	3,359	-	103	-	-
Tenant Services - Other	-	-	7,053	9,219	-
Total Tenant Services	42,568	-	8,093	9,219	-
Utilities					
Water	-	-	20,991	-	-
Electricity	-	-	54,842	-	-
Gas	-	-	29,981	-	-
Fuel	-	-	-	-	-
Labor	-	-	-	-	-
Sewer	-	-	26,271	-	-
Employee Benefit Contributions - Utilities	-	-	-	-	-
Other Utilities Expense	-	-	-	-	-
Total Utilities	-	-	132,085	-	-
Ordinary Maintenance & Operations					
Ordinary Maintenance and Operations - Labor	-	-	51,650	-	-
Ordinary Maintenance and Operations - Materials and Other	763	-	29,296	-	-
Ordinary Maintenance and Operations Contracts	-	12,372	63,198	-	-
Employee Benefit Contributions - Ordinary Maintenance	-	-	6,246	-	-
Total Maintenance	763	12,372	150,390	-	-

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
September 30, 2016

DRAFT

	Section 8 Special Allocations 14.195	State/Local	Blended Component Unit	COCC	Subtotal
REVENUES:					
Net Tenant Rental Revenue	-	-	108,055	-	1,741,706
Tenant Revenue - Other	-	-	1,593	-	152,953
Total Tenant Revenue	-	-	109,648	-	1,894,659
HUD PHA Operating Grants	102,977	-	-	-	17,661,094
Capital Grants	-	-	-	-	2,849,950
Management Fee	-	-	-	850,313	850,313
Asset Management Fee	-	-	-	17,840	17,840
Book Keeping Fee	-	-	-	259,800	259,800
Front Line Service Fee	-	-	-	-	-
Other Fees	-	-	-	-	-
Total Fees Revenue	-	-	-	1,127,953	1,127,953
Other Government Grants	-	-	-	-	599,562
Investment Income - Unrestricted	-	-	-	-	5
Mortgage Interest Income	-	-	-	-	10,355
Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-
Cost of Sale of Assets	-	-	-	-	-
Fraud Recovery	-	-	-	-	25,932
Other Revenue	-	-	45	2,783,641	4,051,259
Gain or Loss on Sale of Capital Assets	-	-	4,296	(160,133)	(4,507,325)
Investment Income - Restricted	-	-	-	-	-
TOTAL REVENUES	102,977	-	113,989	3,751,461	23,713,444
EXPENSES:					
Administrative					
Administrative Salaries	-	-	15,022	744,385	2,025,823
Auditing Fees	-	-	4,662	7,954	32,915
Management Fee	-	-	20,646	-	963,220
Book-keeping Fee	-	-	2,858	-	309,942
Advertising and Marketing	-	-	-	-	3,789
Employee Benefit contributions - Administrative	-	-	4,240	394,125	810,987
Office Expenses	-	-	8,308	233,897	519,633
Legal Expense	-	-	-	15,348	27,323
Travel Expense	-	-	190	13,710	25,715
Allocated Overhead	-	-	-	-	-
Other	-	-	-	168,534	372,379
Total Administrative Expense	-	-	55,926	1,577,953	5,091,726
Asset Management Fee	-	-	3,840	-	90,200
Tenant Services					
Tenant Services - Salaries	-	-	-	-	90,959
Relocation Costs	-	-	181	-	14,901
Employee Benefit Contributions - Tenant Services	-	-	-	6,516	20,169
Tenant Services - Other	-	-	6,866	-	335,438
Total Tenant Services	-	-	7,047	6,516	461,467
Utilities					
Water	-	-	2,179	1,063	174,404
Electricity	-	-	18,942	23,978	470,431
Gas	-	-	13,220	1,279	170,764
Fuel	-	-	-	-	-
Labor	-	-	-	-	558
Sewer	-	-	2,109	-	242,523
Employee Benefit Contributions - Utilities	-	-	-	-	-
Other Utilities Expense	-	-	-	103	2,157
Total Utilities	-	-	36,450	26,423	1,060,837
Ordinary Maintenance & Operations					
Ordinary Maintenance and Operations - Labor	-	-	3,236	-	390,828
Ordinary Maintenance and Operations - Materials and Other	-	-	4,005	34,052	305,834
Ordinary Maintenance and Operations Contracts	-	-	45,793	392,424	1,318,509
Employee Benefit Contributions - Ordinary Maintenance	-	-	1,114	27,997	143,874
Total Maintenance	-	-	54,148	454,473	2,159,045

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
September 30, 2016

DRAFT

	ELIM	Total	Discretely Presented Component Unit	Grand Total
REVENUES:				
Net Tenant Rental Revenue	-	1,741,706	-	1,741,706
Tenant Revenue - Other	-	152,953	-	152,953
Total Tenant Revenue	-	1,894,659	-	1,894,659
HUD PHA Operating Grants	-	17,661,094	-	17,661,094
Capital Grants	-	2,849,950	-	2,849,950
Management Fee	(850,313)	-	-	-
Asset Management Fee	(17,840)	-	-	-
Book Keeping Fee	(259,800)	-	-	-
Front Line Service Fee	-	-	-	-
Other Fees	-	-	-	-
Total Fees Revenue	(1,127,953)	-	-	-
Other Government Grants	-	599,562	-	599,562
Investment Income - Unrestricted	-	5	-	5
Mortgage Interest Income	-	10,355	-	10,355
Proceeds from Disposition of Assets Held for Sale	-	-	-	-
Cost of Sale of Assets	-	-	-	-
Fraud Recovery	-	25,932	-	25,932
Other Revenue	-	4,051,259	88,240	4,139,499
Gain or Loss on Sale of Capital Assets	-	(4,507,325)	-	(4,507,325)
Investment Income - Restricted	-	-	-	-
TOTAL REVENUES	(1,127,953)	22,585,491	88,240	22,673,731
EXPENSES:				
Administrative				
Administrative Salaries	-	2,025,823	-	2,025,823
Auditing Fees	-	32,915	11,864	44,779
Management Fee	(850,313)	112,907	-	112,907
Book-keeping Fee	(259,800)	50,142	-	50,142
Advertising and Marketing	-	3,789	-	3,789
Employee Benefit contributions - Administrative	-	810,987	-	810,987
Office Expenses	-	519,633	-	519,633
Legal Expense	-	27,323	18,572	45,895
Travel Expense	-	25,715	-	25,715
Allocated Overhead	-	-	-	-
Other	-	372,379	25,282	397,661
Total Administrative Expense	(1,110,113)	3,981,613	55,718	4,037,331
Asset Management Fee	(17,840)	72,360	2,000	74,360
Tenant Services				
Tenant Services - Salaries	-	90,959	-	90,959
Relocation Costs	-	14,901	-	14,901
Employee Benefit Contributions - Tenant Services	-	20,169	-	20,169
Tenant Services - Other	-	335,438	-	335,438
Total Tenant Services	-	461,467	-	461,467
Utilities				
Water	-	174,404	15,275	189,679
Electricity	-	470,431	35,417	505,848
Gas	-	170,764	-	170,764
Fuel	-	-	-	-
Labor	-	558	-	558
Sewer	-	242,523	-	242,523
Employee Benefit Contributions - Utilities	-	-	-	-
Other Utilities Expense	-	2,157	-	-
Total Utilities	-	1,060,837	50,692	1,109,372
Ordinary Maintenance & Operations				
Ordinary Maintenance and Operations - Labor	-	390,828	-	390,828
Ordinary Maintenance and Operations - Materials and Other	-	305,834	2,062	307,896
Ordinary Maintenance and Operations Contracts	-	1,318,509	13,059	1,331,568
Employee Benefit Contributions - Ordinary Maintenance	-	143,874	-	143,874
Total Maintenance	-	2,159,045	15,121	2,174,166

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
September 30, 2016

DRAFT

	Low-Rent Public Housing 14,850	Housing Choice Vouchers 14,871	Business Activities	Multifamily Housing Service Coordinators 14,191	Youth Build Program 17,274
EXPENSES (continued):					
Protective Services					
Protective Services- Labor	-	-	-	-	-
Protective Services - Other Contract Costs	-	-	-	-	-
Protective Services - Other	22,479	-	-	-	32
Employee Benefit Contributions- Protective Services	-	-	-	-	-
Total Protective Services	22,479	-	-	-	32
Insurance Premiums					
Property Insurance	-	-	-	-	-
Liability Insurance	31,974	19,966	-	3,161	7,976
Workmen's Compensation	23,817	10,886	-	1,785	17,736
All Other Insurance	-	-	-	-	-
Total insurance Premiums	55,791	30,852	-	4,946	25,712
General Expenses					
Other General Expenses	1,084,776	114,453	-	-	-
Compensated Absences	3,615	-	-	142	-
Payments in Lieu of Taxes	27,688	-	6,987	-	-
Bad debt - Tenant Rents	41,162	-	-	-	-
Bad debt - Other	-	31,434	-	-	-
Severance Expense	-	-	-	-	-
Total Other General Expenses	1,157,241	145,887	6,987	142	-
Financial Expenses					
Interest of Mortgage (or Bonds) Payable	35,358	-	15,040	-	-
Interest on Notes Payable (Short and Long Term)	-	-	-	-	-
Amortization of Bond Issue Costs	-	-	-	-	-
Total Financial Expenses	35,358	-	15,040	-	-
TOTAL OPERATING EXPENSES	5,228,406	1,259,642	49,466	71,365	599,596
EXCESS OPERATING REVENUE	(1,572,425)	10,246,621	346,708	-	-
Other Expenses					
Extraordinary Maintenance	220,358	-	-	-	-
Casualty Losses- Non-capitalized	-	-	-	-	-
Housing Assistance Payments	-	9,926,474	-	-	-
HAP Portability-In	-	-	-	-	-
Depreciation Expense	1,035,531	8,894	33,784	-	-
Fraud Losses	-	-	-	-	-
Capital Outlays- Governmental Funds	-	-	-	-	-
Debt Principal Payment- Governmental Funds	-	-	-	-	-
Dwelling Units Rent Expense	114,453	-	-	-	-
Total Other Expenses	1,370,342	9,935,368	33,784	-	-
TOTAL EXPENSES	6,598,748	11,195,010	83,250	71,365	599,596
EXCESS OF REVENUE OVER EXPENSES	(2,942,767)	311,253	312,924	-	-
Equity transfer	(1,639,215)	-	-	-	-
Prior period adjustment	(97,231)	(24,706)	(88,657)	-	-
Operating transfer in/out	-	-	-	-	-
Beginning Net Position	27,784,502	254,193	15,971,964	-	-
Ending Net Position	23,105,289	540,740	16,196,231	-	-

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
September 30, 2016

DRAFT

	ROSS 14,870	Section 8 Moderate Housing Assistance 14,856	New Construction Section 8 Programs 14,182	CDBG	HOME
EXPENSES (continued):					
Protective Services					
Protective Services- Labor		-	-	-	-
Protective Services - Other Contract Costs	-	-	-	-	-
Protective Services - Other	-	-	96	-	-
Employee Benefit Contributions- Protective Services	-	-	-	-	-
Total Protective Services	-	-	96	-	-
Insurance Premiums					
Property Insurance	-	-	6,143	-	-
Liability Insurance	12,575	6,534	-	-	-
Workmen's Compensation	7,116	3,582	3,378	-	-
All Other Insurance	-	-	-	-	-
Total insurance Premiums	19,691	10,116	9,521	-	-
General Expenses					
Other General Expenses	-	-	-	-	-
Compensated Absences	1,416	-	-	-	-
Payments in Lieu of Taxes	-	-	2,310	-	-
Bad debt - Tenant Rents	-	-	3,026	-	-
Bad debt - Other	-	-	-	-	-
Severance Expense	-	-	-	-	-
Total Other General Expenses	1,416	-	5,336	-	-
Financial Expenses					
Interest of Mortgage (or Bonds) Payable	-	-	-	-	-
Interest on Notes Payable (Short and Long Term)	-	-	-	-	-
Amortization of Bond Issue Costs	-	-	-	-	-
Total Financial Expenses	-	-	-	-	-
TOTAL OPERATING EXPENSES	251,690	233,379	484,379	9,219	-
EXCESS OPERATING REVENUE	-	1,520,448	339,126	-	677,397
Other Expenses					
Extraordinary Maintenance	-	-	87,651	-	-
Casualty Losses- Non-capitalized	-	-	-	-	-
Housing Assistance Payments	-	1,533,712	-	-	-
HAP Portability-In	-	-	-	-	-
Depreciation Expense	-	-	6,205	-	-
Fraud Losses	-	-	-	-	-
Capital Outlays- Governmental Funds	-	-	-	-	-
Debt Principal Payment- Governmental Funds	-	-	-	-	-
Dwelling Units Rent Expense	-	-	-	-	-
Total Other Expenses	-	1,533,712	93,856	-	-
TOTAL EXPENSES	251,690	1,767,091	578,235	9,219	-
EXCESS OF REVENUE OVER EXPENSES	-	(13,264)	245,270	-	677,397
Equity transfer	-	13,264	(500,000)	-	(844,133)
Prior period adjustment	-	-	(3,061)	-	-
Operating transfer in/out	-	-	-	-	-
Beginning Net Position	-	-	2,618,649	-	-
Ending Net Position	-	-	2,360,858	-	(166,736)

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
September 30, 2016

DRAFT

	Section 8 Special Allocations 14.195	State/Local	Blended Component Unit	COCC	Subtotal
EXPENSES (continued):					
Protective Services					
Protective Services- Labor			-	-	-
Protective Services - Other Contract Costs	-	-	-	-	-
Protective Services - Other	-	-	-	-	22,607
Employee Benefit Contributions- Protective Services			-	-	-
Total Protective Services	-	-	-	-	22,607
Insurance Premiums					
Property Insurance	-	-	20,423	70,952	97,518
Liability Insurance	-	-	-	-	82,186
Workmen's Compensation	-	-	732	30,933	99,965
All Other Insurance			-	-	-
Total insurance Premiums	-	-	21,155	101,885	279,669
General Expenses					
Other General Expenses	-	-	-	35,129	1,234,358
Compensated Absences	-	-	-	-	5,173
Payments in Lieu of Taxes	-	-	6,585	-	43,570
Bad debt - Tenant Rents	-	-	503	-	44,691
Bad debt - Other	-	-	-	34,175	65,609
Severance Expense			-	-	-
Total Other General Expenses	-	-	7,088	69,304	1,393,401
Financial Expenses					
Interest of Mortgage (or Bonds) Payable	-	-	-	-	50,398
Interest on Notes Payable (Short and Long Term)			-	-	-
Amortization of Bond Issue Costs	-	-	-	-	-
Total Financial Expenses	-	-	-	-	50,398
TOTAL OPERATING EXPENSES	-	-	185,654	2,236,554	10,609,350
EXCESS OPERATING REVENUE	102,977	-	(71,665)	1,514,907	13,104,094
Other Expenses					
Extraordinary Maintenance			-	97,447	405,456
Casualty Losses- Non-capitalized			-	-	-
Housing Assistance Payments	-	-	-	-	11,460,186
HAP Portability-In			-	-	-
Depreciation Expense	-	-	77,357	9,136	1,170,907
Fraud Losses			-	-	-
Capital Outlays- Governmental Funds			-	-	-
Debt Principal Payment- Governmental Funds			-	-	-
Dwelling Units Rent Expense			-	-	114,453
Total Other Expenses	-	-	77,357	106,583	13,151,002
TOTAL EXPENSES	-	-	263,011	2,343,137	23,760,352
EXCESS OF REVENUE OVER EXPENSES	102,977	-	(149,022)	1,408,324	(46,908)
Equity transfer	-	3,423,002	500,000	(1,699,149)	(746,231)
Prior period adjustment				(195,190)	(408,845)
Operating transfer in/out	(102,977)	-	102,977	-	-
Beginning Net Position	-	-	658,850	1,111,266	48,399,424
Ending Net Position	-	3,423,002	1,112,805	625,251	47,197,440

SPARTANBURG HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
September 30, 2016

DRAFT

	ELIM	Total	Discretely Presented Component Unit	Grand Total
EXPENSES (continued):				
Protective Services				
Protective Services- Labor	-	-	-	-
Protective Services - Other Contract Costs	-	-	-	-
Protective Services - Other	-	22,607	-	22,607
Employee Benefit Contributions- Protective Services	-	-	-	-
Total Protective Services	-	22,607	-	22,607
Insurance Premiums				
Property Insurance	-	97,518	17,773	115,291
Liability Insurance	-	82,186	-	82,186
Workmen's Compensation	-	99,965	-	99,965
All Other Insurance	-	-	-	-
Total insurance Premiums	-	279,669	17,773	297,442
General Expenses				
Other General Expenses	-	1,234,358	18,750	1,253,108
Compensated Absences	-	5,173	-	5,173
Payments in Lieu of Taxes	-	43,570	-	43,570
Bad debt - Tenant Rents	-	44,691	-	44,691
Bad debt - Other	-	65,609	-	65,609
Severance Expense	-	-	-	-
Total Other General Expenses	-	1,393,401	18,750	1,412,151
Financial Expenses				
Interest of Mortgage (or Bonds) Payable	-	50,398	117,947	168,345
Interest on Notes Payable (Short and Long Term)	-	-	-	-
Amortization of Bond Issue Costs	-	-	3,550	3,550
Total Financial Expenses	-	50,398	121,497	171,895
TOTAL OPERATING EXPENSES	(1,127,953)	9,481,397	281,551	9,760,791
EXCESS OPERATING REVENUE	-	13,104,094	(193,311)	12,912,940
Other Expenses				
Extraordinary Maintenance	-	405,456	-	-
Casualty Losses- Non-capitalized	-	-	-	-
Housing Assistance Payments	-	11,460,186	-	11,460,186
HAP Portability-In	-	-	-	-
Depreciation Expense	-	1,170,907	55,788	1,226,695
Fraud Losses	-	-	-	-
Capital Outlays- Governmental Funds	-	-	-	-
Debt Principal Payment- Governmental Funds	-	-	-	-
Dwelling Units Rent Expense	-	114,453	-	-
Total Other Expenses	-	13,151,002	55,788	12,686,881
TOTAL EXPENSES	(1,127,953)	22,632,399	337,339	22,447,672
EXCESS OF REVENUE OVER EXPENSES	-	(46,908)	(249,099)	(296,007)
Equity transfer	-	(746,231)	746,231	-
Prior period adjustment	-	(408,845)	-	(408,845)
Operating transfer in/out	-	-	-	-
Beginning Net Position	-	48,399,424	(3,276,413)	45,123,011
Ending Net Position	-	47,197,440	(2,779,281)	44,418,159

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
Spartanburg, South Carolina
Year ended September 30, 2016

DRAFT

Statement and Certification of Actual Capital Fund Program Costs

Grant Year SC16P003501-13

- 1 The actual program costs of Phase SC16P003501-11 are as follows:

Funds Approved	\$ 1,233,145
Funds Expended	<u>1,233,145</u>
Excess/(Deficiency) of Funds	<u><u>\$ -</u></u>
Funds Advanced	\$ 1,233,145
Funds Expended	<u>1,233,145</u>
Excess/(Deficiency) of Funds Advanced	<u><u>\$ -</u></u>

- 2 Audit period additions totaled \$227,070.
- 3 The total program costs as stated on the Annual Statement/Performance and Evaluation Report is in agreement with the Actual Modernization Cost Certificate 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.

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
Spartanburg, South Carolina
Year ended September 30, 2016

DRAFT

Statement and Certification of Actual Capital Fund Program Costs

Grant Year SC16P003501-14

- 1 The actual program costs of Phase SC16P003501-12 are as follows:

Funds Approved	\$ 1,378,942
Funds Expended	<u>1,378,942</u>
Excess/(Deficiency) of Funds	<u><u>\$ -</u></u>
Funds Advanced	\$ 1,378,942
Funds Expended	<u>1,378,942</u>
Excess/(Deficiency) of Funds Advanced	<u><u>\$ -</u></u>

- 2 Audit period additions totaled \$1,038,204.
- 3 The total program costs as stated on the Annual Statement/Performance and Evaluation Report is in agreement with the Actual Modernization Cost Certificate 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.

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
Spartanburg, South Carolina
Year ended September 30, 2016

DRAFT

Statement and Certification of Actual Capital Fund Program Costs

Grant Year SC16R003501-08

- 1 The actual program costs of Phase SC16R003501-09 are as follows:

Funds Approved	\$ 244,916
Funds Expended	<u>244,916</u>
Excess/(Deficiency) of Funds	<u><u>\$ -</u></u>
Funds Advanced	\$ 244,916
Funds Expended	<u>244,916</u>
Excess/(Deficiency) of Funds Advanced	<u><u>\$ -</u></u>

- 2 There were no additions during the audit period.
- 3 The total program costs as stated on the Annual Statement/Performance and Evaluation Report is in agreement with the Actual Modernization Cost Certificates 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.

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
Spartanburg, South Carolina
Year ended September 30, 2016

DRAFT

Statement and Certification of Actual Capital Fund Program Costs

Grant Year SC16R003502-13

- 1 The actual program costs of Phase SC16R003501-10 are as follows:

Funds Approved	\$ 257,258
Funds Expended	<u>257,258</u>
Excess/(Deficiency) of Funds	<u><u>\$ -</u></u>
Funds Advanced	\$ 257,258
Funds Expended	<u>257,258</u>
Excess/(Deficiency) of Funds Advanced	<u><u>\$ -</u></u>

- 2 There were no additions during the audit period.
- 3 The total program costs as stated on the Annual Statement/Performance and Evaluation Report is in agreement with the Actual Modernization Cost Certificate 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.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners of the
Housing Authority of the City of Spartanburg
Spartanburg, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component units of the Housing Authority of the City of Spartanburg (the Authority) 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, and have issued our report thereon dated April __, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Bethesda, Maryland
April __, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Board of Commissioners of the
Housing Authority of the City of Spartanburg
Spartanburg, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Spartanburg's (the Authority) 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 Authority's major federal programs for the year ended September 30, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the 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 Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

Bethesda, Maryland
June 22, 2016

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2016

DRAFT

<u>Federal and State Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Expenditures</u>
<u>U.S. Department of Housing and Urban Development (HUD):</u>		
Public Housing:		
Low Rent Public Housing Operating Fund	14.850	\$ 3,550,832
Capital Fund Program	14.872	3,131,220
Resident Opportunities and Supportive Services	14.870	251,690
Section 8 Housing Assistance Program:		
Housing Choice Voucher Program	14.871	10,467,607
New Construction S/R Section 8 Programs (Cluster)	14.182	497,366
Moderate Rehabilitation Program (Cluster)	14.856	1,751,371
Multifamily Housing Service Coordinators:		
Multifamily Housing Elderly Service Coordinators	14.191	71,365
Special Allocation Housing Assistance Payments Program:		
Vocational Funds (pass-through from State of South Carolina)	14.195	102,977
CDBG Program:		
CDBG Funds (pass-through from City of Spartanburg)	14.258	9,219
HOME Program:		
HOME Funds (pass-through from County of Spartanburg)	14.239	<u>677,397</u>
TOTAL HUD FINANCIAL ASSISTANCE		<u>20,511,044</u>
<u>U.S. DEPARTMENT OF LABOR:</u>		
Youth Build Program:		
Youth Build/Face Forward Programs	17.274	<u>599,562</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 21,110,606</u></u>

See Notes to the Schedule

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2016**

DRAFT

1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. SUBRECIPIENTS

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

3. FINDINGS AND QUESTIONED COSTS

Any findings and questioned costs identified in connection with the 2016 Single Audit would be disclosed in Schedule I and status of prior year findings and questioned costs would be disclosed in Schedule II.

HUD has conducted several reviews of the Authority and has issued their reports on the results of some of these reviews. The Authority has responded to the reviews for which reports have been issued.

4. COST RATES

The Authority has not elected to use the 10% de minimis cost rate.

HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2016

DRAFT

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No |
| 5. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 100.516(a)? | No |

7. Identification of Major Programs:

<u>Federal Grantor/Program Title</u>	<u>CFDA No.</u>		
U.S. Department of Housing and Urban Development (HUD):			
Housing Choice Voucher Program	14.871	\$	10,467,607
HOME Investment Partnerships Program	14.239	\$	677,397

- | | |
|---|------------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs: | \$ 750,000 |
| 9. Auditee qualified as low-risk auditee? | No |

**HOUSING AUTHORITY OF CITY OF SPARTANBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2016**

DRAFT

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

**HOUSING AUTHORITY OF THE CITY OF SPARTANBURG
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
September 30, 2016**

DRAFT

SECTION IV – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None.

SECTION V – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.