

TOWN OF WAYNESVILLE HOUSING AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

**TOWN OF WAYNESVILLE HOUSING AUTHORITY
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SEPTEMBER 30, 2020**

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Independent Auditor's Report

To Board of Commissioners
Town of Waynesville Housing Authority
Town of Waynesville, North Carolina

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activity and each major fund of the Town of Waynesville Housing Authority as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Waynesville Housing Authority as of September 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The individual fund financial schedules, the schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Open Capital Grants and the Financial Data Schedule required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial schedules, the accompanying schedule of expenditures of federal awards, as well as the Schedule of Open Capital Grants and the Financial Data Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020 on our consideration of the Town of Waynesville Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Ray, Bumgarner, Kingshill & Assoc., P.A.

Waynesville, North Carolina
December 11, 2020

**Management Discussion and Analysis
Town of Waynesville Housing Authority**

Management's Discussion and Analysis (MD&A)

The management of the Town of Waynesville Housing Authority (the Authority) offers readers of the Authority's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended (FYE) September 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

Financial Highlights

- The Authority's net position increased by \$ \$36,764 to \$ \$2,669,805 as compared to the previous year-end. Net investment in capital assets represents \$1,840,075 of this amount. Unrestricted net position amounted to \$338,514 at FYE September 30, 2020. Restricted net position amounted to \$491,216 at FYE September 30, 2020.
- The business-type activity total operating revenues for the fiscal year were \$1,245,818.
- Total operating expenses of all the Authority's programs during the FYE September 30, 2020 were \$1,143,466.
- The Authority's long-term debt decreased during the current fiscal year to \$1,107,576. The key factor in this decrease was the payments on the existing loan.

Overview of the Financial Statements

The Authority's basic financial statements consist of three components: 1) the MD&A, 2) fund financial statements, and 3) notes to the financial statements. Because the Authority is a special-purpose government engaged in business-type activities only, the financial statements are presented in accordance with paragraph 138 of GASB Statement 34. In addition to the financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Authority. In addition to the management's discussion and analysis, management has prepared the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows, following the MD&A.

The statement of net position shows the assets and liabilities of the Authority with the difference being the net position of the organization. This statement shows the financial position of the Authority as of a single date in time which is at fiscal year-end. The Statement of Revenues, Expenses, and Changes in Net Position reflects items for the year that gave rise to the increase or decrease in overall net position. The Statement of Cash Flows reflects all cash inflow and outflow for the entire fiscal year.

Management Discussion and Analysis Town of Waynesville Housing Authority

Overview of the Authority

The Town of Waynesville Housing Authority's primary mission is to provide housing to those eligible in the Town of Waynesville and the surrounding area as determined by the US Department of Housing and Urban Development (HUD). The Authority's operation and capital expansion program are funded almost entirely through rental fees from residents and subsidies received from HUD.

Fund Financial Statements

The financial statements are presented on the fund basis. The fund financial statements provide a more detailed look at the Authority's most significant activities by focusing on the individual activities of the major funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance, or non-compliance, with finance-related legal requirements, such as the General Statutes (G.S.), the Authority's budget ordinance, or applicable HUD guidelines. The focus is now on the activities of the major funds, and not on the type of fund. The Authority maintains several different funds based on their activities as required by HUD and for accountability and control. All the funds are enterprise funds, which use the full accrual basis of accounting and account for the Authority's activities in a manner similar to a for-profit business.

The Authority adopts an annual budget as required by G.S. 159-42(c), following budgetary guidelines put forth by HUD. The budget is a legally adopted document that incorporates input from the citizens and the management of the Authority and the decisions of the Board about which services to provide and how to pay for them. The budgetary statements demonstrate how well the Authority complied with the budget ordinance and whether or not the Authority succeeded in providing the service as planned when the budget was adopted. The budgetary comparison statements use the budgetary basis of accounting and are presented using the same format, language, and classifications as the legal budget document. The budgetary statements are presented as supplementary information to demonstrate compliance with applicable state laws and funding source regulations. To account for the difference between the budgetary basis of accounting and the full accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Notes to the Financial Statements – The next section of the financial statements is the notes to the financial statements. The notes provide additional information that is essential to a full understanding of the financial statements. The notes to the financial statements are on pages 17 to 28 of this report. After the notes, supplementary information is provided to show details about the Authority's individual funds.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information required by the US

Management Discussion and Analysis
Town of Waynesville Housing Authority

Department of Housing and Urban Development and the North Carolina Local Government Commission.

	<u>2020</u>	<u>2019</u>
Current assets	\$ 444,693	\$ 343,739
Restricted assets	491,216	590,719
Capital assets - (net of accumulated depreciation)	<u>2,947,651</u>	<u>2,949,645</u>
Total assets	<u>3,883,560</u>	<u>3,884,103</u>
Current liabilities	141,113	132,649
Non-current liabilities	<u>1,072,642</u>	<u>1,118,413</u>
Total liabilities	<u>1,213,755</u>	<u>1,251,062</u>
Net Position		
Net investment in capital assets	1,840,075	1,792,906
Restricted net position	491,216	590,719
Unrestricted net position	<u>338,514</u>	<u>249,416</u>
Total net position	<u>\$ 2,669,805</u>	<u>\$ 2,633,041</u>

Net position may serve over time as one useful indicator of a government's financial condition. The assets of the Authority exceeded liabilities by \$2,669,805 as of September 30, 2020. The Authority's net position increased by \$36,764 for the fiscal year ended September 30, 2020. The largest portion of net position (\$1,840,075 or 69%) reflects the Authority's investments in capital assets (e.g. land, building, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Authority's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Authority's net position (\$491,216, or 18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$338,514 or 13%, is unrestricted.

Management Discussion and Analysis
Town of Waynesville Housing Authority

The financial operations of the Authority increased the total net position by \$36,764.

	Business-type activities	Business-type activities
	2020	2019
Operating revenues:		
Dwelling rental	\$ 553,621	\$ 540,214
Excess utilities	16,711	15,066
Operating subsidy	454,003	426,590
Capital grants	221,483	213,139
Total operating revenues	<u>1,245,818</u>	<u>1,195,009</u>
Operating expenses:		
Administration	319,321	375,407
Utilities	193,505	208,085
Ordinary maintenance	283,997	232,327
Insurance expense	33,231	31,802
General expense	10,258	17,786
Extraordinary maintenance	4,063	6,406
Depreciation	299,091	279,159
Total operating expenses	<u>1,143,466</u>	<u>1,150,972</u>
Operating income	<u>102,352</u>	<u>44,037</u>
Non-operating revenues (expenses):		
Interest income - Unrestricted	63	91
Interest income - Restricted	3,802	4,052
Other revenue	5,969	9,553
Loss on disposal of fixed assets	(64,022)	(17,955)
Interest expense on notes/bonds	(11,400)	(11,888)
Non-operating revenues (expenses)	<u>(65,588)</u>	<u>(16,147)</u>
Change in net position	36,764	27,890
Net position, beginning of year	<u>2,633,041</u>	<u>2,605,151</u>
Net position, end of year	<u>\$ 2,669,805</u>	<u>\$ 2,633,041</u>

Transfers. The Low Income Capital Fund received \$221,532 during FYE 2020 from HUD to be used for capital improvements, which was transferred in its entirety to the Low Income Housing Fund. The Section 8 Housing Fund transferred \$60,563 to the Rental Loan Fund for debt service.

**Management Discussion and Analysis
Town of Waynesville Housing Authority**

Capital Assets and Debt Administration

Capital Assets. The Authority’s investment in capital assets as of September 30, 2020 totals \$2,947,651 (net of accumulated depreciation). These assets include buildings, land, equipment, and vehicles.

The Authority’s capital assets increased slightly primarily due to a transfer from the low-rent capital improvement fund, offset to a lesser degree by depreciation expense.

Town of Waynesville Housing Authority Capital Assets

Figure 3

	Capital Assets	Capital Assets
	2020	2019
Land	\$ 213,530	\$ 213,530
Construction in progress	16,800	31,780
Buildings & Improvements	2,613,696	2,496,464
Furniture & Equipment	103,625	207,871
Total	<u>\$ 2,947,651</u>	<u>\$ 2,949,645</u>

Additional information on the Authority’s capital assets can be found in note III to the financial statements beginning on page 23 of this report.

Long-term Debt. As of September 30, 2020, the Authority had loan outstanding bonded debt of \$1,107,576. The entire debt is secured by the building associated with the debt. In addition, \$1,445 current portion of compensated absences and \$14,782 in long term compensated absences is included in the total debt amount of \$1,123,803.

The Authority’s total debt decreased by \$45,020 during the past fiscal year, primarily due to the payment on outstanding debt, offset to a lesser degree by an increase in compensated absences.

Additional information regarding the Authority’s long-term debt can be found in note III to the financial statements on pages 25 and 26 of this report.

Management Discussion and Analysis
Town of Waynesville Housing Authority

Economic Factors and Next Year's Budget and Rates

The following key economic indicator reflects the growth of the Authority:

- Applicants. The number of applicants on the Authority's waiting list has remained high over the past year for every size unit. This consistent high demand for housing assistance is attributed to growth within Haywood County in addition to growth and high housing costs in the surrounding counties. Tenants have found that they can rent cheaper in Haywood County and commute to the surrounding counties cheaper than renting in the surrounding counties.

Management Discussion and Analysis
Town of Waynesville Housing Authority

Budget Highlights for the Fiscal Year Ended September 30, 2020:

Low Income Housing	Original Budget	Final Budget	Difference In Budget
5120 · Dwelling Rent	\$ 340,000	\$ 327,314	\$ (12,686)
5121 · Excess Utilities	15,000	15,000	-
5125 · Operating Subsidy	169,000	169,000	-
5600 · Other Income	4,800	3,800	(1,000)
5410 · Interest Income	50	50	-
5411 · Restricted Interest Income	-	2	2
5800 · Transfer from CFP-Capital	-	-	-
5900 · Transfer from Tower	-	-	-
5601 · Appropriated Fund Balance	-	-	-
	<u>\$ 528,850</u>	<u>\$ 515,166</u>	<u>\$ (13,684)</u>
6310 · Non-Technical Wages	\$ 47,051	\$ 47,051	\$ -
6311 · Office Supplies			-
6312 · Staff Training	1,500	3,000	1,500
6315 · Legal Expense	7,000	7,000	-
6330 · Manager Wages	63,653	14,300	(49,353)
6350 · Audit Expense	10,000	10,000	-
6360 · Telephone Expense	6,800	7,500	700
6370 · Collection Costs/Fees	10,000	10,000	-
6380 · Membership Dues & Fees	1,000	1,000	-
6390 · Misc. Admin. Expenses	10,500	30,000	19,500
6391 · Accounting Expense	-	9,600	9,600
6450 · Electricity	130,000	130,000	-
6451 · Water	15,000	15,000	-
6453 · Landfill Fee	3,000	3,000	-
6470 · Garbage and Trash Removal	9,200	10,000	800
6540 · Maintenance Wages	15,222	15,679	457
6541 · Maint- Material	26,000	26,000	-
6542 · Maint - Contract	72,900	76,900	4,000
6543 · Furniture & Fixture Replacement	11,000	11,000	-
6545 · Extraordinary Maintenance			-
6560 · Payroll Expenses	13,432	22,386	8,954
6715 · Payroll Taxes	10,940	6,600	(4,340)
6720 · Health Insurance	27,000	25,000	(2,000)
6725 · Property & Liability Insurance	16,000	16,050	50
6727 · Workers Compensation Insurance	5,000	5,050	50
6730 · Retirement Benefits	10,652	6,550	(4,102)
6750 · Advertising	1,000	1,500	500
6900 · Toshiba Copier Lease Payments	5,000	5,000	-
	<u>\$ 528,850</u>	<u>\$ 515,166</u>	<u>\$ (13,684)</u>

**Management Discussion and Analysis
Town of Waynesville Housing Authority**

Section 8 Housing	Original Budget	Final Budget	Difference In Budget
5120 · Dwelling Rent/Subsidy	\$ 460,176	\$ 452,707	\$ (7,469)
5190 · Laundry & Vending	-	1,200	1,200
5410 · Interest Income	-	18	18
5411 · Restricted Interest Income	5,500	1,000	(4,500)
5600 · Other Income	2,000	30	(1,970)
5700 · Transfer From Reserve	60,000	201,500	141,500
5601 · Appropriated Fund Balance	(7,845)	96,097	103,942
	<u>\$ 519,831</u>	<u>\$ 752,552</u>	<u>\$ 232,721</u>
6310 · Non-Technical Wages	\$ 43,953	\$ 14,370	\$ (29,583)
6311 · Office Supplies	1,000	4,000	3,000
6312 · Staff Training	2,000	2,500	500
6315 · Legal Expense	3,000	5,000	2,000
6316 · Vending Machine Services	-	5,000	5,000
6330 · Manager Wages	42,435	35,000	(7,435)
6350 · Audit Expense	10,000	9,913	(87)
6360 · Telephone Expense	5,000	9,000	4,000
6370 · Collection Costs/Fees	3,000	6,000	3,000
6380 · Membership Dues & Fees	-	-	-
6390 · Misc. Admin. Expenses	4,863	3,000	(1,863)
6391 · Accounting Expense	5,000	8,000	3,000
6431 · Janitor Supplies	-	-	-
6450 · Electricity	60,000	57,000	(3,000)
6451 · Water	6,800	9,000	2,200
6452 · Gas	250	300	50
6453 · Landfill Fee	2,800	3,000	200
6470 · Garbage and Trash Removal	2,000	4,000	2,000
6539 · Garbage and Trash Removal	-	90,000	90,000
6540 · Maintenance Wages	32,120	35,000	2,880
6541 · Maintenance- Material	24,000	45,712	21,712
6542 · Maintenance - Contract	24,600	85,000	60,400
6543 · Furniture & Fixture Replacement	5,200	20,000	14,800
6545 · Extraordinary Maintenance	60,000	5,200	(54,800)
6550 · Elevator Maintenance	12,000	15,000	3,000
6620 · Depreciation-Bldg	-	96,097	96,097
6560 · Payroll Expense	13,432	17,000	3,568
6715 · Payroll Taxes	10,316	8,000	(2,316)
6720 · Health Insurance	28,800	26,000	(2,800)
6725 · Property & Liability Insurance	10,500	10,800	300
6727 · Workers Compensation Insurance	2,500	2,000	(500)
6730 · Retirement Benefits	8,617	9,000	383
6750 · Advertising	1,000	1,500	500
6900 · Toshiba Copier Lease Payments	3,000	4,000	1,000
8000 · Transfer to Reserve	30,645	46,160	15,515
8250 · Transfer to Original Loan	61,000	61,000	-
	<u>\$ 519,831</u>	<u>\$ 752,552</u>	<u>\$ 232,721</u>

Management Discussion and Analysis
Town of Waynesville Housing Authority

Comparative information for fiscal years ending September 30, 2020 and September 30, 2019:

Comparative Analysis		
	2020	2019
Total Current Assets	\$ 444,693	\$ 343,739
Total Restricted Assets	491,216	590,719
Total Capital Assets	<u>2,947,651</u>	<u>2,949,645</u>
Total Assets	<u>\$ 3,883,560</u>	<u>\$ 3,884,103</u>
Total Current Liabilities	\$ 141,113	\$ 132,649
Total Non-current Liabilities	<u>1,072,642</u>	<u>1,118,413</u>
Total Liabilities	<u>\$ 1,213,755</u>	<u>\$ 1,251,062</u>
Net Investment in Capital Assets	\$ 1,840,075	\$ 1,792,906
Restricted Net Position	491,216	590,719
Unrestricted Net Position	<u>338,514</u>	<u>249,416</u>
Total Net Position	<u>\$ 2,669,805</u>	<u>\$ 2,633,041</u>
Total Tenant Revenue	\$ 570,332	\$ 555,280
HUD Operating & Capital Grants	675,486	639,729
Investment Income - Unrestricted	63	91
Investment Income - Restricted	3,802	4,052
Other Revenue	<u>5,969</u>	<u>9,553</u>
Total Revenue	<u>\$ 1,255,652</u>	<u>\$ 1,208,705</u>
Administrative Expenses	\$ 319,321	\$ 375,407
Utility Expenses	193,505	208,085
Maintenance Expenses	283,997	232,327
Other Operating Expenses	43,489	49,588
Loss on Disposal of Fixed Assets	64,022	17,955
Interest Expense	11,400	11,888
Extraordinary Maintenance	4,063	6,406
Depreciation	<u>299,091</u>	<u>279,159</u>
Total Expenses	<u>\$ 1,218,888</u>	<u>\$ 1,180,815</u>
Operating Transfers In	\$ -	\$ -
Operating Transfers Out	-	-
Capital Transfers In	215,161	213,139
Capital Transfers Out	<u>(215,161)</u>	<u>(213,139)</u>
Change in Net Position	<u>\$ 36,764</u>	<u>\$ 27,890</u>

The increase in current assets resulted from an increase in cash, primarily from capital and related financing activities. The decrease in restricted assets and the related restricted

Management Discussion and Analysis
Town of Waynesville Housing Authority

net position is due to transfers from the restricted account in excess of transfers from the operating account to fund capital improvements during the year. The decrease in capital assets is due to capital asset disposals during the year. The increase in current liabilities is related to an increase in accounts payable. The decrease in non-current liabilities was due to principal payments on the loan made in the current year. The decrease in other revenue is considered minor and insignificant. The decrease in administrative expenses was due to some personnel changes. Utility expenses decrease is due to climate change. Maintenance expenses increase is due to frequency of repairs. Several fixed assets with remaining book value were disposed of during the year resulting in a loss on fixed asset disposals. Interest expense decreased due to a reduction in overall loan balance. Depreciation expense increased because of new asset additions being depreciated.

Requests for Information

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Office Manager, PO Box 418, Waynesville, North Carolina 28786.

Town of Waynesville Housing Authority
Combined Statement of Net Position - All Funds
September 30, 2020

	Major Funds			Total Funds
	Low Income Housing Fund	Section 8 Housing Fund	Rental Loan Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 301,320	\$ 70,528	\$ -	\$ 371,848
Tenants rent receivable (net of allowance for doubtful accounts)	9,910	534	-	10,444
Due from HUD	24,993	-	-	24,993
Internal activities	-	-	-	-
Inventory	10,604	13,741	-	24,345
Prepaid items and other assets	8,138	4,925	-	13,063
Total current assets	354,965	89,728	-	444,693
Restricted assets:				
Restricted cash	-	59,023	-	59,023
Restricted investments	-	432,193	-	432,193
Total restricted assets	-	491,216	-	491,216
Capital assets:				
Non-depreciable capital assets	95,330	135,000	-	230,330
Capital assets (net of accumulated depreciation)	1,583,825	545,815	587,681	2,717,321
Total capital assets	1,679,155	680,815	587,681	2,947,651
Total Assets	\$ 2,034,120	\$ 1,261,759	\$ 587,681	\$ 3,883,560
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 19,786	\$ 14,989	\$ -	\$ 34,775
Security deposits	20,766	18,820	-	39,586
Current portion of long-term liabilities	1,390	55	49,716	51,161
Unearned revenue	6,706	37	-	6,743
Other current liabilities	6,838	2,010	-	8,848
Total current liabilities	55,486	35,911	49,716	141,113
Non-current liabilities:				
Non-current portion of long-term debt	-	-	1,057,860	1,057,860
Accrued vacation	13,346	1,436	-	14,782
Total non-current liabilities	13,346	1,436	1,057,860	1,072,642
Total liabilities	68,832	37,347	1,107,576	1,213,755
NET POSITION				
Net investment in capital assets	1,679,155	680,815	(519,895)	1,840,075
Restricted:				
Loan restrictions	-	491,216	-	491,216
Unrestricted	286,133	52,381	-	338,514
Total net position	\$ 1,965,288	\$ 1,224,412	\$ (519,895)	\$ 2,669,805

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

Town of Waynesville Housing Authority
Combined Statement of Revenues, Expenses, and Changes in Net Position - All Funds
For the year ended September 30, 2020

	Major Funds					Total
	Low Income Fund			Section 8 Housing Fund	Rental Loan Fund	
	Low Income Housing Program	Low Income Capital Program	Total Low Income Fund			
Operating revenues:						
Dwelling rental	\$ 346,318	\$ -	\$ 346,318	\$ 207,303	\$ -	\$ 553,621
Excess utilities	16,711	-	16,711	-	-	16,711
Operating subsidy	212,577	-	212,577	241,426	-	454,003
Total operating revenues	<u>575,606</u>	<u>-</u>	<u>575,606</u>	<u>448,729</u>	<u>-</u>	<u>1,024,335</u>
Operating expenses:						
Administration	189,773	-	189,773	129,548	-	319,321
Utilities	134,837	-	134,837	58,668	-	193,505
Ordinary maintenance	127,779	-	127,779	156,218	-	283,997
Insurance expense	20,784	-	20,784	12,447	-	33,231
General expense	9,426	-	9,426	832	-	10,258
Extraordinary maintenance	-	-	-	4,063	-	4,063
Depreciation	189,924	-	189,924	61,215	47,952	299,091
Total operating expenses	<u>672,523</u>	<u>-</u>	<u>672,523</u>	<u>422,991</u>	<u>47,952</u>	<u>1,143,466</u>
Operating income (loss)	<u>(96,917)</u>	<u>-</u>	<u>124,566</u>	<u>25,738</u>	<u>(47,952)</u>	<u>102,352</u>
Non-operating revenues (expenses):						
Interest income	44	-	44	19	-	63
Restricted interest income	2	-	2	3,800	-	3,802
Interest expense on notes/bonds	-	-	-	-	(11,400)	(11,400)
Loss on disposal of fixed assets	(62,861)	-	(62,861)	(1,161)	-	(64,022)
Other revenue	3,808	49	3,857	2,112	-	5,969
Transfers (to) from other funds	221,532	(221,532)	-	(60,563)	60,563	-
Non-operating revenues (expenses)	<u>162,525</u>	<u>(221,483)</u>	<u>(58,958)</u>	<u>(55,793)</u>	<u>49,163</u>	<u>(65,588)</u>
Capital Contributions	-	221,483	221,483	-	-	221,483
Change in Net Position	65,608	-	65,608	(30,055)	1,211	36,764
Net Position, beginning of year	1,899,680	-	1,899,680	1,254,467	(521,106)	2,633,041
Net Position, end of year	<u>\$ 1,965,288</u>	<u>\$ -</u>	<u>\$ 1,965,288</u>	<u>\$ 1,224,412</u>	<u>\$ (519,895)</u>	<u>\$ 2,669,805</u>

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

**Town of Waynesville Housing Authority
 Combined Statement of Cash Flows - All Funds
 For the year ended September 30, 2020**

	Major Funds					Total Funds
	Low Income Fund			Section 8 Housing Fund	Rental Loan Fund	
	Low Income Housing Program	Low Income Capital Program	Total Low Income Fund			
Cash Flows From Operating Activities:						
Cash received from tenants	\$ 354,306	\$ -	\$ 354,306	\$ 206,759	\$ -	\$ 561,065
Cash paid for goods and services	(300,659)	-	(300,659)	(251,291)	-	(551,950)
Cash paid to employees	(156,979)	-	(156,979)	(128,687)	-	(285,666)
Tenant deposits received	33	-	33	3,001	-	3,034
Tenant deposits returned	(1,056)	-	(1,056)	(3,657)	-	(4,713)
Operating subsidies	212,577	-	212,577	241,426	-	454,003
Net Cash Provided by Operating Activities:	108,222	-	108,222	67,551	-	175,773
Cash Flows From Non-Capital Financing Activities:						
Transfers (to) from other funds	-	-	-	(60,563)	60,563	-
Cash received from miscellaneous sources	3,808	-	3,808	2,112	-	5,920
Net Cash Provided (Used) by Non-Capital Financing Activities	3,808	-	3,808	(58,451)	60,563	5,920
Cash Flows From Capital and Related Financing Activities:						
Capital grants	-	221,532	221,532	-	-	221,532
Acquisition of capital assets	(227,333)	-	(227,333)	(133,786)	-	(361,119)
Transfer (to) from other funds for acquisition of capital assets	221,532	(221,532)	-	-	-	-
Principal paid on notes	-	-	-	-	(49,163)	(49,163)
Interest paid on notes	-	-	-	-	(11,400)	(11,400)
Net Cash Used for Capital and Related Financing Activities:	(5,801)	-	(5,801)	(133,786)	(60,563)	(200,150)
Cash Flows From Investing Activities:						
Interest on investments	46	-	46	3,819	-	3,865
Investments Withdraw	-	-	-	66,690	-	66,690
Net Cash From Investing Activities:	46	-	46	70,509	-	70,555
Net Increase (Decrease) in Cash and Cash Equivalents	106,275	-	106,275	(54,177)	-	52,098
Cash and Cash Equivalents, Beginning of Year	195,045	-	195,045	183,728	-	378,773
Cash and Cash Equivalents, End of Year	\$ 301,320	\$ -	\$ 301,320	\$ 129,551	\$ -	\$ 430,871

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

**Town of Waynesville Housing Authority
 Combined Statement of Cash Flows - All Funds, continued
 For the year ended September 30, 2020**

	Major Funds					
	Low Income Fund			Section 8 Housing Fund	Rental Loan Fund	Total Funds
	Low Income Housing Program	Low Income Capital Program	Total Low Income Fund			
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income/(loss)	\$ (96,917)	\$ -	\$ (96,917)	\$ 25,738	\$ (47,952)	\$ (119,131)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	189,924	-	189,924	61,215	47,952	299,091
(Increase) decrease in tenant receivable	(6,392)	-	(6,392)	286	-	(6,106)
(Increase) decrease in other receivable	20,334	-	20,334	-	-	20,334
(Increase) decrease in inventories	(2,652)	-	(2,652)	(2,935)	-	(5,587)
(Increase) decrease in prepaid expenses	(379)	-	(379)	(157)	-	(536)
Increase (decrease) in accounts payable	5,323	-	5,323	10,111	-	15,434
Increase (decrease) in accrued expenses	(4,774)	-	(4,774)	(1,626)	-	(6,400)
Increase (decrease) in deferred revenues	1,483	-	1,483	(830)	-	653
Increase (decrease) in accrued vacation	3,295	-	3,295	553	-	3,848
Increase (decrease) in security deposits	(1,023)	-	(1,023)	(656)	-	(1,679)
Increase (decrease) in inter program-due to	-	-	-	(24,148)	-	(24,148)
Total adjustments	205,139	-	205,139	41,813	47,952	294,904
Net cash provided by operating activities:	<u>\$ 108,222</u>	<u>\$ -</u>	<u>\$ 108,222</u>	<u>\$ 67,551</u>	<u>\$ -</u>	<u>\$ 175,773</u>

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Waynesville Housing Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Waynesville Housing Authority (the Authority) is a public body and a body corporate and politic created under the authority of Chapter 157 of the General Statutes of North Carolina. The Authority was created for the purpose of providing safe and sanitary housing for the low income, elderly, disabled and handicapped citizens of the Town of Waynesville.

The Authority is reported as a related organization in the notes to the Town of Waynesville's financial statements since the governing board's five-member Board of Commissioners of the Authority are appointed to five-year terms by the mayor of the Town of Waynesville, and the Town of Waynesville has the ability to remove the appointed board members for cause. However, the Authority is not a component unit for the financial reporting entity of the Town of Waynesville, since it designates its own management, approves its own budget, and maintains its own accounting system. In addition, the Town provides no financial support to the Authority and is not obligated for the Authority's debts or entitled to any surpluses of the Authority. The Town of Waynesville is not financially accountable for the Authority since it cannot impose its will on the Authority, and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the Town of Waynesville.

B. Description of a Public Housing Authority

Funding for public housing authorities is received from the United States Department of Housing and Urban Development (HUD) and from participants in public housing programs.

The Town of Waynesville Housing Authority has 100 units in management of its low-income housing program. The Town of Waynesville Housing Authority also has a 62 unit dwelling owned and managed by the Authority. It is available to elderly, disabled and handicapped individuals meeting eligibility requirements. This program is a joint effort of the North Carolina Housing Finance Agency, the United States Department of Housing and Urban Development, the United States Department of Agriculture Rural Development and the Town of Waynesville Housing Authority.

C. Basis of Presentation - Fund Accounting

The accounts of the Town of Waynesville Housing Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

The Authority accounts for its operations as enterprise funds. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed

or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Town of Waynesville Housing Authority reports the following major funds:

Low Income Housing Program

Low-income tenants pay monthly rents, which are determined by their need for assistance. HUD pays operating subsidies to the housing authority to enable the Authority to maintain the low-income character of the neighborhood while providing adequate services and maintaining adequate reserves.

The Low Income Capital Fund Program

This fund accounts for the modernization and improvement of existing low-income housing units owned by the Authority funded by HUD.

The Section 8 Housing Fund.

This program provides rental supplements to the tenants of the Waynesville Tower. The Authority processes all applicants for the Section 8 Housing Assistance Payments Program and places approved applicants in housing. Under the conditions of an annual contributions contract, HUD reimburses the Authority for the rental supplements and the administrative cost of managing the program, up to a per unit limit established in the annual contributions contract.

The Rental Loan Fund. This fund accounts for the original USDA loan for the construction of the sixty-two unit elderly complex.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. Net position is the result of deducting all the liabilities and deferred inflows of resources from all the assets and deferred outflows of resources. Total net position is segregated into three components: 1) net investment in capital assets, 2) restricted assets, and 3) unrestricted assets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

All funds of the Authority are maintained on the modified accrual basis during the year; however, the financial statements for the Authority have been reported on the accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. In converting from the modified accrual basis to the full accrual basis, the changes required may include adjustments for unpaid interest, depreciation, prepaid tenant rents, payments of principal on outstanding debt, and capital outlay.

E. Budgetary Data

The Authority maintains budgetary controls over all funds, as required by North Carolina General Statute 159-42 (c-d) and the terms of the Authority's annual contributions contract with HUD. An

annual budget is adopted for all enterprise funds. The budget was prepared on the modified accrual basis of accounting. The budget presented in these statements is the budget ordinance as amended through September 30, 2020.

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by HUD regulations. The Authority may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

Section 401(e) of the federal annual contribution contract authorizes the Authority to invest excess funds in instruments issued by or guaranteed by the federal government. The Authority practices this policy for all invested funds, regardless of source. Investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. Money market investments that have a maturity at the time of purchase of one year or less are carried at amortized cost.

As required by the annual contributions contract, the Authority prepares cash forecasts for each program to determine the amount of funds available for investment and to maximize investment earnings. During the fiscal year and at year-end, all cash was held in the form of interest-bearing accounts. The deposits and certificates of deposit with an original maturity of three months or less are considered cash and cash equivalents for the Statement of Cash Flows.

Inter-Program Receivables and Payables

Inter-program receivables and payables are all classified as either current assets or current liabilities. They are the result of the Public Housing Authority being used as a common paymaster for shared costs of the Authority. Cash settlements are made monthly, and all inter-program balances are reconciled. Any amounts for these inter-program receivables and payables are only shown in the "Internal Activities" row on the Statement of Net Position in each fund column. These amounts offset each other and do not appear in the total column for the Authority.

Due from the United States Department of Housing and Urban Development

The amount due from HUD as of September 30, 2020 consisted of capital fund grant monies to be paid to the Authority as of September 30th but not received as of that date.

Inventories

Inventories are recorded at cost, cost being determined on the first-in, first-out (FIFO) basis. The Authority's inventory consists primarily of appliances and/or fixture replacement items that are recorded as an expense as consumed.

Prepaid Items

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

Capital Assets

Capital assets are recorded at historical cost at the date of acquisition. Donated capital assets are stated at fair value on the date donated. This includes site acquisition and improvement, structures, and equipment. Minimum capitalization costs are as follows: building and land improvements \$10,000, vehicles \$10,000, individual unit improvements \$5,000, and general equipment \$1,000. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are not capitalized. Capital assets are depreciated on a straight-line basis over the following estimated useful life in years:

Buildings	30 years
Improvements to building and land	15-30 years
Furniture, fixtures, and equipment	3-10 years
Automobiles and vehicles	5 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has no items that meet the criterion for this category.

Unearned Revenue

Unearned revenue consists of rental payments made by tenants in advance of their due date.

Accrued Vacation Pay

The Town of Waynesville Housing Authority allows its full-time employees to accumulate up to thirty days of earned vacation leave, and such leave is fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The current portion of accumulated vacation pay, and salary related payments are not considered to be material.

Employees can accumulate an unlimited amount of sick leave. Sick leave does not vest but the unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefits purposes. Since the Authority has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Long-Term Debt

Long-term debt consists of a USDA Rural Development note with an original amount of \$2,308,000, authorized in June 1981 for the construction of the Waynesville Tower, which is used by the housing program for the elderly, disabled and handicapped.

Operating Revenues

Subsidies received from the Department of Housing and Urban Development or other grantor agencies for operating purposes, are recorded as operating revenues. Those that are received for capital purposes are recorded as a capital contribution.

Net Position

Net position is classified into three parts: net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed (as by creditors, grantors, contributors, or laws or regulations of other governments), or imposed by the law.

II. Stewardship, Compliance, and Accountability

There were no instances of noncompliance with fiscal and budgetary requirements noted.

III. Detail Notes on All Funds**A. Assets**Cash and Cash Equivalents

The Authority's deposits are either insured or are collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agent in the Authority's name. The Authority has no policy regarding custodial credit risk for deposits.

At year-end, the Authority's deposits, including a Certificate of Deposit classified as an investment, had a carrying amount of \$862,664 and a bank balance of \$867,182. Of the bank balance, \$684,988 was covered by federal depository insurance and the remaining bank balances were adequately covered by specifically identified collateral totaling \$462,643 held under the dedicated method. The Authority had \$400 petty cash on hand at September 30, 2020.

TOWN OF WAYNESVILLE HOUSING AUTHORITY

Notes to the Financial Statements

For the year ended September 30, 2020

The Authority maintained the following restricted cash and investment accounts as of September 30, 2020 (see Long-Term Debt note on page 25):

	Section 8 Housing Fund
Reserve for replacement:	\$ 491,216
Beginning balance	590,719
Net Cash transfers	(103,303)
Restricted interest income	3,800
Total	<u>\$ 491,216</u>

Investments consist of a sixty-month certificate of deposit for \$498,883 maturing June 19, 2022. The Authority has no policy regarding credit risk.

Tenant Rent Receivable

Tenant rent receivable is comprised of the following:

Tenant Rent Receivable

	<u>Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net</u>
Low Income Housing	\$ 17,663	\$ (7,753)	<u>\$ 9,910</u>
Section 8 Housing	\$ 534	\$ -	<u>\$ 534</u>

Due from U.S. Department of HUD

Capital fund grant monies of \$24,993 were due from HUD to the Authority's Capital Fund Program as of September 30, 2020.

TOWN OF WAYNESVILLE HOUSING AUTHORITY

Notes to the Financial Statements

For the year ended September 30, 2020

Capital Assets

Section 8 Housing Fund Description	Balance at 9/30/2019	Increases	Decreases	Balance at 9/30/2020
Capital assets not being depreciated:				
Land	\$ 135,000	\$ -	\$ -	\$ 135,000
Total capital assets not being depreciated:	135,000	-	-	\$ 135,000
Capital assets being depreciated:				
Buildings & Improvements	921,802	118,526	2,640	1,037,688
Furniture & Equipment	98,283	15,260	19,860	93,683
Total capital assets being depreciated:	1,020,085	133,786	22,500	1,131,371
Less accumulated depreciation for:				
Buildings & Improvements	489,056	43,588	2,640	530,004
Furniture & Equipment	56,624	17,627	18,699	55,552
Total accumulated depreciation	545,680	61,215	21,339	585,556
Total capital assets being depreciated, net	474,405			545,815
Total capital assets, net	\$ 609,405			\$ 680,815
Rental Loan Fund Description	Balance at 9/30/2019	Increases	Decreases	Balance at 9/30/2020
Capital assets being depreciated:				
Buildings & Improvements	\$ 2,397,612	\$ -	\$ -	\$ 2,397,612
Total capital assets being depreciated:	2,397,612	-	-	2,397,612
Less accumulated depreciation for:				
Buildings & Improvements	1,761,979	47,952	-	1,809,931
Total accumulated depreciation	1,761,979	47,952	-	1,809,931
Total capital assets being depreciated, net	635,633			587,681
Total capital assets, net	\$ 635,633			\$ 587,681
Low Income Housing Fund Description	Balance at 9/30/2019	Increases	Decreases	Balance at 9/30/2020
Capital assets not being depreciated:				
Land	\$ 78,530	\$ -	\$ -	\$ 78,530
Construction in progress	31,780		14,980	16,800
Total capital assets not being depreciated:	110,310	-	14,980	95,330
Capital assets being depreciated:				
Buildings & Improvements	5,004,683	328,246	393,040	4,939,889
Furniture & Equipment	245,033	(100,913)	8,169	135,951
Total capital assets being depreciated:	5,249,716	227,333	401,209	5,075,840
Less accumulated depreciation for:				
Buildings & Improvements	3,576,598	192,438	347,478	3,421,558
Furniture & Equipment	78,821	(2,514)	5,850	70,457
Total accumulated depreciation	3,655,419	189,924	353,328	3,492,015
Total capital assets being depreciated, net	1,594,297			1,583,825
Total capital assets, net	\$ 1,704,607			\$ 1,679,155

B. Liabilities

Pension Plan Obligations

The Town of Waynesville Housing Authority contributes to a simplified employee pension plan. The plan also contains a salary reduction provision for employee contributions. The effective date of this plan was August 15, 1989. The plan is administered by Charles Schwab and American Equity Investment Life Insurance Company.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

All regular, full-time and permanent part-time employees who work a minimum of 1,000 hours per year are enrolled in the retirement plan. Contributions made by the Authority and by the employee vest immediately. An employee who leaves the employment of the Authority is entitled to his or her contributions and the Authority's contributions plus accumulated earnings.

Under this plan, the Authority contributes 7.5% of each eligible employee's compensation and employee payroll deductions are optional. The Authority pays the employer's portion and deducts the employee's portion from each pay period not to exceed 21% combined.

The Authority's contributions to the defined contribution plan are as follows for the year ended September 30, 2020:

For Low Income Housing employees	\$ 12,058
For Section 8 Housing employees	<u>7,226</u>
Total Authority's contributions	<u>\$ 19,284</u>

Operating Leases

The Authority entered into an operating lease agreement for a copier on May 17, 2017. The lease calls for 60 payments of \$68 and expires May 17, 2022. The authority also entered into a lease for a copier and a scanner on January 18, 2018. The lease expires January 18, 2023 and calls for monthly payments of \$360. Lease and rental payments for the year ended September 30, 2020 totaled \$9,603.

TOWN OF WAYNESVILLE HOUSING AUTHORITY

Notes to the Financial Statements

For the year ended September 30, 2020

Contractual annual operating lease payments are as follows:

Year Ended September 30	Payment
2021	5,136
2022	4,864
2023	1,080
	<u>\$ 11,080</u>

Long-Term Debt

On June 5, 1981, a USDA project note in the amount of \$2,308,000 was authorized, the proceeds of which were used to construct a tower to house the elderly, disabled and handicapped. The note is payable to the United States of America through Rural Development for a period of fifty years with a stated interest rate of eleven and one-half percent (11.5%) per annum.

By an interest credit and rental assistance agreement dated January 1, 1983, the effective interest rate on this project note was reduced to nine and one-half percent (9.5%) per annum. On October 1, 1994, a revised interest credit and rental assistance agreement became effective which further reduced the interest rate on the project note to one percent (1%) per annum with any rent overages collected by the Authority to be remitted as additional payments of interest. The project note is collateralized by a deed of trust on real estate. In addition, a security agreement and financing statement give Rural Development a lien and security interest in the rents and profits, including all payments received from HUD pursuant to the Section 8 housing assistance payments contract.

The Authority maintains a reserve account as a condition of the above loan agreement. The reserve replacement account is maintained to meet payments due on its loan obligation, pay costs of repairs or replacements to housing furnishings or equipment, and to fund other expenditures approved by the lender. The account must increase each year by at least \$46,160 until the fund accumulates to a balance of \$692,400. The September 30, 2020 balance was \$491,216. The reserve account will be considered fully funded when it reaches a balance of \$692,400; therefore, Waynesville Housing Authority is under-funded by \$201,184.

Funds in the reserve replacement account are held by the Authority as security for the loan obligation. At September 30, 2020, the Authority met the reserve account's funding requirements.

The reserve for insurance account is maintained to accumulate an amount at least equal to the annual insurance premium on the tower and its contents. As of September 30, 2020, the Authority had adequate reserves to cover the annual insurance premium.

The balance of long term note payable at September 30, 2019 was \$1,156,739; \$49,163 was applied to principal during the year to reduce the balance at September 30, 2020 to \$1,107,576.

TOWN OF WAYNESVILLE HOUSING AUTHORITY

Notes to the Financial Statements

For the year ended September 30, 2020

Annual debt service requirements to maturity on long-term debt are as follows:

Year ended September 30	Principal	Interest	Total
2021	49,716	10,847	60,563
2022	50,215	10,348	60,563
2023	50,720	9,843	60,563
2024	51,229	9,334	60,563
2025	51,744	8,819	60,563
2026-2030	266,621	36,192	302,813
2031-2035	280,285	22,528	302,813
2036-2040	294,650	8,164	302,813
2041	12,396	18	12,414
	<u>\$ 1,107,576</u>	<u>\$ 116,093</u>	<u>\$ 1,223,669</u>

Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
USDA Note	\$ 1,156,739	\$ -	\$ 49,163	\$ 1,107,576	\$ 49,716
Compensated Absences:					
Low Income	11,146	10,325	6,735	14,736	1,390
Section 8 Housing	938	554	1	1,491	55
Total	<u>\$ 1,168,823</u>	<u>\$ 10,879</u>	<u>\$ 55,899</u>	<u>\$ 1,123,803</u>	<u>\$ 51,161</u>

Conduit Debt

Debt related to the original acquisition and construction of the 100-unit Low Income Housing Development is funded and guaranteed by the United States Department of Housing and Urban Development (HUD). This obligation does not constitute a debt or pledge of faith and credit of the Authority and accordingly, has not been reported in the accompanying financial statements. HUD no longer provides the Authority with debt service information because the Authority has no obligation for the debt. This debt was originally issued on October 1, 1974, in the amount of \$1,820,000.

C. Interfund Balances and Activity

At September 30, 2020, the Section 8 Housing Fund paid off an amount of \$24,148 due to the Low Income Housing fund for allocation of costs.

Transfers to/from other funds consisted of the following:

From the Low Income Capital Fund to the Low Income Housing Fund – capital improvements of \$221,532.

From the Section 8 Housing Fund to the Rental Loan Fund – debt service payment of \$60,563.

From the Section 8 Housing Fund to the Rental Loan Fund – debt service payment of \$60,563.

D. Summary Disclosures of Significant Contingencies

Federal Assisted Programs

The Authority has received proceeds from several federal grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

E. Risk Management

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

In accordance with G.S. 159-42, the Authority's finance officer is individually bonded for \$50,000. The Authority also has a blanket bond for the remaining employees who have access to inventories in the amount of \$100,000.

The Authority carries commercial insurance against all other risks of loss, including property and general liability insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years. The Authority does not carry flood insurance since they are not in a designated flood zone.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Subsequent Events

Subsequent to year-end the Authority uncovered mold in its Waynesville Tower structure. The Authority plans to use a substantial amount of funds from the replacement reserve to remedy the mold issue.

Subsequent events have been evaluated through December 11, 2020, which is the date the audit report was available to be issued.

H. Reconciliation between Financial Statements and Financial Data Schedule

On the Statement of Net Position, restricted cash and investments for the Section 8 Housing Fund is shown under restricted assets. On the Financial Data Schedule (FDS), \$59,023 restricted cash is included in total cash and \$432,193 restricted investments is included in current assets. The difference in cash and cash equivalents on the Statement of Net Position and total cash on the FDS is \$59,023 in restricted cash. Total restricted and unrestricted cash for Section 8 Housing Program is \$129,551 and \$430,871 entity-wide. On the Statement of Revenues, Expenses and Changes in Net Position, interest income and other revenues are shown after operating income (loss). On the FDS, total interest income of \$3,865 and other revenue of \$5,969 are included in total revenues for a difference of \$9,834. On the Statement of Revenues, Expenses and Changes in Net Position, interest expense and the loss on disposal of fixed assets are shown after operating income (loss). On the FDS, interest expense of \$11,400 is included in total expenses for a difference of \$11,400. On the Statement of Revenues, Expenses, and Changes in Net Position, transfers are shown after operating income (loss). On the FDS, operating transfers are shown separately from transfers of capital assets. On the FDS, the Public Housing Capital Fund completed the construction of capital assets of \$221,532, which were transferred to Public and Indian Housing. On the Statement of Revenues, Expenses, and Changes in Net Position, this capital asset transfer is shown net of operating transfers of \$0 from Public Housing Capital Fund to Public and Indian Housing for a net total transfer to Public and Indian Housing of \$221,532. On the Statement of Revenues, Expenses, and Changes in Net Position, capital grants of 221,483 are shown as capital contributions. On the FDS, capital grants are shown in total revenue.

SUPPLEMENTARY INFORMATION

**Town of Waynesville Housing Authority
 Low Income Fund - Housing Program
 Statement of Revenues and Expenditures - Budget to Actual (Non-GAAP)
 ACC # A-2067
 For the Year Ended September 30, 2020**

	2020			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Operating Revenues:				
Dwelling rental			\$ 363,029	
HUD operating grant			212,577	
Total revenues	<u>\$ 528,850</u>	<u>\$ 515,166</u>	<u>575,606</u>	<u>\$ 60,440</u>
Operating Expenses:				
Administration:				
Salaries and employee benefits			126,106	
Staff training			1,195	
Accounting and auditing fees			19,448	
Other administrative expenses			43,024	
Total administration	<u>213,123</u>	<u>194,380</u>	<u>189,773</u>	<u>4,607</u>
Utilities:				
Electricity			112,827	
Water			22,010	
Total utilities	<u>157,405</u>	<u>157,107</u>	<u>134,837</u>	<u>22,270</u>
Ordinary Maintenance:				
Salaries and employee benefits			24,585	
Maintenance materials and supplies			23,578	
Maintenance contracts and fees			79,616	
Total ordinary maintenance	<u>134,322</u>	<u>139,579</u>	<u>127,779</u>	<u>11,800</u>
General Expense:				
General insurance			20,784	
Payments in lieu of taxes			2,468	
Total general expense	<u>24,000</u>	<u>24,100</u>	<u>23,252</u>	<u>848</u>

cont.

Town of Waynesville Housing Authority
Low Income Fund - Housing Program
Statement of Revenues and Expenditures - Budget to Actual (Non-GAAP), continued
ACC # A-2067
For the Year Ended September 30, 2020

	2020			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Tenant Services				
Meeting Expenses				
Total tenant services	-	-	-	-
Total operating expenditures	528,850	515,166	475,641	39,525
Net operating income (loss)	-	-	99,965	99,965
Non-operating revenues (expenditures):				
Interest income	-	-	44	
Restricted interest income	-	-	2	
Other miscellaneous revenue	-	-	3,808	
Appropriations from Fund Balance	-	-	-	
Transfers in/(out)	-	-	-	-
	-	-	3,854	3,854
Revenue over (under) expenditures	\$ -	\$ -	\$ 103,819	\$ 103,819

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

Revenue over (under) expenditures - operating fund (as above)	\$ 103,819
Capital Transfer from other fund	221,532
Depreciation expense	(189,924)
Loss on disposition of assets	(62,861)
Bad debt expense	(6,958)
Change in net position - full accrual basis	<u>\$ 65,608</u>

Town of Waynesville Housing Authority
Low Income Fund - Capital Program
Statement of Revenues and Expenditures - Budget to Actual (Non-GAAP)
ACC # A-2067
For the Year Ended September 30, 2020

	2020			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Operating Revenues:				
HUD operating grant	\$ 221,532	\$ 221,532	\$ -	\$ (221,532)
Total revenues	<u>221,532</u>	<u>221,532</u>	<u>-</u>	<u>(221,532)</u>
Expenditures:				
Building improvements	221,532	221,532	221,532	-
Total expenditures	<u>221,532</u>	<u>221,532</u>	<u>221,532</u>	<u>-</u>
Other financing sources/(uses):				
HUD Capital Grants	-	-	221,483	-
Other income	-	-	49	-
Transfers from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>221,532</u>	<u>221,532</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Reconciliation of modified accrual basis to full accrual basis:

Revenue over (under) expenditures - operating fund (as above)	\$ -
Capital transfer to other fund	(221,532)
Capital expenditures	<u>221,532</u>
	<u>-</u>
Change in net position	<u>\$ -</u>

Town of Waynesville Housing Authority
Section 8 Housing Fund
Statement of Revenues and Expenditures - Budget to Actual (Non-GAAP)
ACC # A-3259
For the Year Ended September 30, 2020

	2020			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Operating Revenues:				
Dwelling rental			\$ 207,303	
HUD operating grant			241,426	
Tenant revenue - other			-	
Total revenues	\$ 527,676	\$ 656,455	448,729	\$ (207,726)
Operating Expenses:				
Administration:				
Salaries and employee benefits			85,843	
Accounting and auditing fees			18,448	
Other administrative expenses			25,257	
Total administration	173,183	232,161	129,548	102,613
Utilities:				
Gas			215	
Electricity			49,956	
Water			8,497	
Total utilities	67,050	66,300	58,668	7,632
Ordinary Maintenance:				
Salaries and employee benefits			39,929	
Maintenance materials and supplies			29,970	
Maintenance contracts and fees			86,319	
Total ordinary maintenance	172,153	331,131	156,218	174,913
General Expense:				
General insurance			12,447	
Payments in lieu of taxes			1,628	
Total general expense	15,800	15,800	14,075	1,725

cont.

Town of Waynesville Housing Authority
Section 8 Housing Fund
Statement of Revenues and Expenditures - Budget to Actual (Non-GAAP), continued
ACC # A-3259
For the Year Ended September 30, 2020

	2020			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Total operating expenditures	428,186	645,392	358,509	286,883
Net operating income	99,490	11,063	90,220	79,157
Other revenues (expenditures):				
Interest income	-	-	19	-
Restricted interest income	-	-	3,800	-
Other revenue	(91,645)	(107,160)	2,112	-
Extraordinary maintenance	-	-	(4,063)	-
Transfers to rental loan	-	-	(60,563)	-
Appropriations from Fund Balance	(7,845)	96,097	-	-
	(99,490)	(11,063)	(58,695)	(47,632)
Revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,525</u>	<u>\$ 31,525</u>

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

Revenue over expenditures - operating fund (as above)	\$ 31,525
Loss on disposal of fixed assets	(1,161)
Depreciation expense	(61,215)
Recovery of bad debt	796
	<u>(61,580)</u>
Change in net position - full accrual basis	<u>\$ (30,055)</u>

Town of Waynesville Housing Authority
Rental Loan Fund
Statement of Revenues and Expenditures - Budget to Actual (Non-GAAP)
ACC # A-2067
For the Year Ended September 30, 2020

	2020			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Expenditures:				
Debt Payments			\$ 49,163	
Interest			11,400	
Total expenditures	\$ 60,563	\$ 60,563	60,563	\$ -
Other financing sources/(uses):				
Transfers from other funds	60,563	60,563	60,563	-
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -
Change in net assets			\$ -	
Reconciliation of modified accrual basis to full accrual basis:				
Revenue over (under) expenditures - operating fund (as above)			\$ -	
Debt Payment			49,163	
Depreciation expense			(47,952)	
			1,211	
Change in net position			\$ 1,211	

**Town of Waynesville Housing Authority
 Low Income Capital Program Grants
 Statement of Open Capital Grants
 For the Year Ended September 30, 2020**

	Original Budget	Expended at Year End	Amount Available
Grant Number NC19P062501-18			
0100 Reserved Budget	\$ -	\$ -	\$ -
1406 Operations	-	-	-
1480 General Capital Activity	<u>230,797</u>	<u>91,181</u>	<u>139,616</u>
Amount of Annual Grant	<u>\$ 230,797</u>	<u>\$ 91,181</u>	<u>\$ 139,616</u>

Town of Waynesville Housing Authority
US Department of Housing & Urban Development
Financial Data Schedule - Assets & Liabilities
For the year ended September 30, 2020

Line Item	Rural Rental Housing Loans 10.415	Section 8 N/C and S/R 14.182	Public and Indian Housing 14.850	Total
ASSETS				
Current assets:				
111	\$ -	\$ 52,148	\$ 275,090	\$ 327,238
112	-	59,023	-	59,023
114	-	18,380	26,230	44,610
100	-	129,551	301,320	430,871
122	-	-	24,993	24,993
126	-	534	17,663	18,197
126.1	-	-	(7,753)	(7,753)
120	-	534	34,903	35,437
132	-	432,193	-	432,193
142	-	4,925	8,138	13,063
143	-	13,741	10,604	24,345
144	-	-	-	-
150	-	580,944	354,965	935,909
Non-current assets:				
161	-	135,000	78,530	213,530
162	2,397,612	1,037,688	4,409,005	7,844,305
163	-	12,735	37,356	50,091
164	-	80,948	98,595	179,543
166	(1,809,931)	(585,556)	(3,492,015)	(5,887,502)
167	-	-	16,800	16,800
168	-	-	530,884	530,884
160	587,681	680,815	1,679,155	2,947,651
180	587,681	680,815	1,679,155	2,947,651
190	\$ 587,681	\$ 1,261,759	\$ 2,034,120	\$ 3,883,560
LIABILITIES AND FUND BALANCE				
Current liabilities:				
312	\$ -	\$ 14,989	\$ 19,786	\$ 34,775
322	-	55	1,390	1,445
341	-	18,820	20,766	39,586
342	-	37	6,706	6,743
343	49,716	-	-	49,716
345	-	2,010	6,838	8,848
347	-	-	-	-
310	49,716	35,911	55,486	141,113

cont.

Town of Waynesville Housing Authority
US Department of Housing & Urban Development
Financial Data Schedule - Assets & Liabilities
For the year ended September 30, 2020

Line Item	Rural Rental Housing Loans	Section 8 N/C and S/R	Public and Indian Housing	Total
	10.415	14.182	14.850	
LIABILITIES AND FUND BALANCE				
Non-current liabilities:				
354	-	1,436	13,346	14,782
351	1,057,860	-	-	1,057,860
350	1,057,860	1,436	13,346	1,072,642
300	1,107,576	37,347	68,832	1,213,755
508.1	\$ (519,895)	\$ 680,815	\$ 1,679,155	\$ 1,840,075
511.1	-	491,216	-	491,216
512.1	-	52,381	286,133	338,514
513	(519,895)	1,224,412	1,965,288	2,669,805
	TOTAL LIABILITIES AND FUND BALANCE			
600	\$ 587,681	\$ 1,261,759	\$ 2,034,120	\$ 3,883,560

* For FDS purposes, Public and Indian Housing 14.850 and Public Housing Capital Fund 14.872 are combined in this presentation. See Note H for reconciliation between this schedule and Statement of Net Assets.

Town of Waynesville Housing Authority
US Department of Housing & Urban Development
Financial Data Schedule - Revenues & Expenses
For the year ended September 30, 2020

Line Item	Rural Rental Housing	Section 8 N/C and	Public and Indian	Public Housing	Total	
	Loans 10.415	S/R 14.182	Housing 14.850	Capital Fund 14.872		
Revenues						
70300	Net Tenant Rental Revenue	\$ -	\$ 207,303	\$ 363,029	\$ -	\$ 570,332
70400	Tenant Revenue - Other	-	-	-	-	-
70500	Total Tenant Revenue	-	207,303	363,029	-	570,332
70600	HUD PHA Operating Grants	-	241,426	212,577	-	454,003
70610	Capital Grants	-	-	-	221,483	221,483
71100	Investment Income - Unrestricted	-	19	44	-	63
71500	Other Revenue	-	2,112	3,808	49	5,969
71600	Gain or (Loss) on Sale of Capital Assets	-	(1,161)	(62,861)	-	(64,022)
72000	Investment Income-Restricted	-	3,800	2	-	3,802
70000	Total Revenue	-	453,499	516,599	221,532	1,191,630
Expenses						
91100	Administrative Salaries	-	62,139	89,402	-	151,541
91200	Auditing Fees	-	9,913	9,913	-	19,826
91310	Bookkeeping Fee	-	8,535	9,535	-	18,070
91400	Advertising & Marketing	-	774	2,167	-	2,941
91500	Employee Benefit Contributions - Admin	-	23,704	36,704	-	60,408
91600	Office Expense	-	21,041	35,960	-	57,001
91700	Legal Fees	-	3,442	4,897	-	8,339
91700	Other	-	-	1,195	-	1,195
91000	Total Operating-Administrative	-	129,548	189,773	-	319,321
93100	Water	-	8,497	22,010	-	30,507
93200	Electricity	-	49,956	112,827	-	162,783
93300	Gas	-	215	-	-	215
93000	Total Utilities	-	58,668	134,837	-	193,505
94100	Ordinary Maint. & Operations - Labor	-	28,903	17,429	-	46,332
94200	Ordinary Maint. & Operations - Other	-	29,970	23,578	-	53,548
94300-010	Contract - Garbage	-	-	-	-	-
94300-050	Contract - Grounds	-	-	-	-	-
94300-060	Contract - Unit Turnaround	-	-	-	-	-
94300-070	Contract - Electrical	-	-	-	-	-
94300-080	Contract - Plumbing	-	-	-	-	-
94300-120	Contract - Misc	-	-	-	-	-
94300	Contracts Total	-	86,319	79,616	-	165,935
94500	Employee Benefit Contributions - Maint	-	11,026	7,156	-	18,182
94000	Total Maintenance	-	156,218	127,779	-	283,997

cont.

Town of Waynesville Housing Authority
US Department of Housing & Urban Development
Financial Data Schedule - Revenues & Expenses
For the year ended September 30, 2020

Line Item	Rural Rental Housing Loans 10.415	Section 8 N/C and S/R 14.182	Public and Indian Housing 14.850	Public Housing Capital Fund 14.872	Total
96110 Property Insurance	\$ -	\$ 10,605	\$ 15,975	\$ -	\$ 26,580
96130 Workers Compensation	-	1,842	4,809	-	6,651
96100 Total Insurance Premiums	-	12,447	20,784	-	33,231
96300 Payments in Lieu of Taxes	-	1,628	2,468	-	4,096
96400 Bad Debts	-	(796)	6,958	-	6,162
96000 Total Other General Expenses	-	832	9,426	-	10,258
96710 Interest Expense	11,400	-	-	-	11,400
96900 Total Operating Expenses	11,400	357,713	482,599	-	851,712
97000 Excess Operating Revenue over Expenses	(11,400)	95,786	34,000	221,532	339,918
97100 Extraordinary Maintenance	-	4,063	-	-	4,063
97400 Depreciation	47,952	61,215	189,924	-	299,091
90000 Total Expenses	59,352	422,991	672,523	-	1,154,866
10010 Operating Transfers In	60,563	-	-	-	60,563
10020 Operating Transfers (Out)	-	(60,563)	-	-	(60,563)
10093 Transfers between Program and Project	-	-	221,532	-	221,532
10094 Transfers between Project and Program- out	-	-	-	(221,532)	(221,532)
10100 Total Other Financing Sources (Uses)	60,563	(60,563)	221,532	(221,532)	-
10000 Excess (Deficiency) of Operating Revenue Over (Under)Expenses	1,211	(30,055)	65,608	-	36,764
11020 Required Annual Debt Principal Payments	49,221	-	-	-	49,221
11030 Beginning Equity	(521,106)	1,254,467	1,899,680	-	2,633,041
11620 Building Purchases	-	-	-	151,397	151,397
11630 Furniture & Equipment - Dwelling Purchases	-	-	-	56,385	56,385
11190 Unit Months Available	-	732	1,163	-	1,895
11210 Number of Unit Months Leased	-	705	1,127	-	1,832
11270 Excess Cash	-	-	240,521	-	240,521
11640 Furniture and Equipment Admin Purchases	-	-	-	-	-
11660 Infrastructure Purchases	-	-	-	13,750	13,750

* See Note III, item H, Reconciliation Between Financial Statements and Financial Data Schedule.

COMPLIANCE SECTION



Ray,
Bumgarner,
Kingshill,

& Assoc., P.A.

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**Independent Auditor's Report on Internal Control Over Financial Reporting And On Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

To the Board of Commissioners
Town of Waynesville Housing Authority
Waynesville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 each major fund of the Town of Waynesville Housing Authority, North Carolina (the Authority), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 11, 2020.

Internal Control over Financial Reporting

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

Ray, Bumgarner, Kingshill & Assoc., P.A.

Waynesville, North Carolina
December 11, 2020

**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
Town of Waynesville Housing Authority
Waynesville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of Waynesville Housing Authority, North Carolina (the Authority), 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, 2020. 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 Town of Waynesville Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Waynesville Housing 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, 2020.

Report on Internal Control over Compliance

Management of the Town of Waynesville Housing 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.

Ray, Bumgarner, Kingshill & Assoc., P.A.

Waynesville, North Carolina
December 11, 2020

**TOWN OF WAYNESVILLE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified	_____yes	___X___no
Significant deficiency identified that is not considered to be material weakness	_____yes	___X___none reported
Noncompliance material to financial statements noted	_____yes	___X___no

Federal Awards

Internal control over major federal programs:

Material weakness identified	_____yes	___X___no
Significant deficiency identified that is not considered to be a material weakness	_____yes	___X___none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

_____yes	___X___no
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The major federal programs for the Town of Waynesville Housing Authority for the fiscal year ended September 30, 2020 are:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.415	Rural Rental Housing Loans

Dollar threshold used to distinguish between Type A and Type B program: \$750,000

Auditee qualified as low-risk auditee? ___X___yes _____no

**TOWN OF WAYNESVILLE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

II. Findings Related to the Audit of the Financial Statements

None

III. Findings and Questioned Costs Related to the Audit of Federal Awards

None

**TOWN OF WAYNESVILLE HOUSING AUTHORITY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

II. Findings-Financial Statement Audit

No findings.

III. Findings and Questioned Costs-Major Federal Awards Program Audit

No findings or questioned costs.

**TOWN OF WAYNESVILLE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2020**

II. Findings-Financial Statement Audit

None

III. Findings and Questioned Costs – Major Federal Awards Program Audit

None

**Town of Waynesville Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct payments</i>		
Public and Indian Housing	14.850	\$ 212,577
Public Housing Capital Fund	14.872	221,483
<i>Passed through North Carolina Housing Finance Agency</i>		
Section 8 New Construction & Substantial Rehabilitation	14.182	<u>241,426</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 675,486</u>
<u>U.S. Department of Agriculture – Rural Development</u>		
<i>Non-cash award</i>		
Rural Rental Housing Loans	10.415	<u>1,156,739</u>
Total expenditures of federal awards		<u>\$ 1,832,225</u>

Notes to the Schedule of Expenditures of Federal Financial Awards:

1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the Town of Waynesville Housing Authority (the Authority) under the programs of the federal government for the year ended September 30, 2020. The information in this SEFA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

2 Summary of Significant Accounting Policies

Expenditures reported in the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3 Indirect Cost Rate

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4 Loans Outstanding

The Authority had the following loan balances outstanding at September 30, 2020. These loan balances outstanding are also included in the federal expenditures presented in this schedule.

<u>Program Title:</u>	<u>CFDA #</u>	<u>Amount Outstanding</u>
Rural Rental Housing Loans	10.415	\$1,107,576