

**CHARLESTON COUNTY HOUSING AND
REDEVELOPMENT AUTHORITY**

**FINANCIAL STATEMENTS
AND
REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE YEAR ENDED
JUNE 30, 2016**

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
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FOR YEAR ENDED JUNE 30, 2016

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Commissioners
Charleston County Housing & Redevelopment Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Charleston County Housing & Redevelopment Authority, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise Charleston County Housing & Redevelopment 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Charleston County Housing &

Redevelopment Authority, as of June 30, 2016, and the respective changes in financial position and, where applicable, 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 1-5 and supplemental pension information on page 22 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise Charleston County Housing & Redevelopment Authority's basic financial statements. The Financial Data Schedule, required by *Uniform Financial Reporting Standards*, issued by the Department of Housing and Urban Development, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Financial Data Schedule and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates 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 Financial Data Schedule 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 January 16, 2017 on our consideration of Charleston County Housing & Redevelopment Authority's internal control over financial reporting and on 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 Charleston County Housing & Redevelopment Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maletta & Company". The signature is written in a cursive, flowing style.

Maletta & Company
Certified Public Accountants

Bristol, Connecticut
January 16, 2017

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 2016**

Our discussion and analysis of the Charleston County Housing & Redevelopment Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2016. Please review it in conjunction with the Authority's basic financial statements, which begin on page 6.

FINANCIAL HIGHLIGHTS

- Total revenues of the Authority from all sources increased by \$231,169 as a result of increased capital grants. In particular, the Authority received an emergency grant of \$500K to replace a chiller in the Joseph Floyd Manor property. They were \$10,752,524 compared to \$10,521,355 in the prior fiscal year.
- The Authority's operating revenues (total revenues excluding capital grants) exceeded operating expenses (less depreciation) by \$196,966 representing an increase of \$121,900 over prior fiscal year which was \$75,066.
- The current ratio (current assets divided by current liabilities) increased from 1.25:1 to 1:33:1 as a result of current assets increasing by \$319K over prior fiscal year.
- The Authority's total assets exceeded its total liabilities by \$3,651,751 (net position) in comparison to \$3,765,210 for the previous fiscal year.
- The Authority has completed its reimbursement of \$222,617 owed to Section 8 Program for ineligible inter-fund advances that were made to the Low Rent Public Housing Program in fiscal year 2015. This was a finding in last year's audit that is no longer outstanding.
- The Authority executed an Energy Performance Contract (EPC) with Facilities Strategies Group (FSG) to improve energy efficiencies. The EPC has been completed and as a result, the Authority incurred a Capital Fund AR and obligation of \$225K that are reflected in the Net Position.
- The Authority has improved its procedures for documenting the propriety of housing new tenants based on them having priority position on the Waiting List at the time of their selection. In order to support the selection, the Waiting Lists used at the time of selection is now retained as evidence that appropriate procedures had been utilized and adequate documentation is maintained in the files of selected tenants. This was a finding in last year's audit that has been cleared.
- As a result of this year's financial performance, the Authority is projected to pass the HUD PHAS Scoring assessment this year. The Authority has received a failing score in prior years. The assessment process includes evaluating financial impact areas and many programmatic indicators.
- The impact of Government Accounting Standards Board (GASB) statement #68, Accounting and Financial Reporting for Pensions on the Authority was an increase of \$116,504 to long term liabilities. GASB # 68 was first implemented in FY2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and required supplemental information. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows on pages 6-9 provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

The HUD Financial Data Schedule reported as supplemental information starts on page 24. The supplemental information report the Authority's operations in more detail than the financial statements by providing information about the Authority by program or grant.

The Statement of Net Position and Statement of Changes in Net Position

The Statement of Net Position and Statement of Changes in Net Position provide information about the Authority as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting that is used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. The difference between assets and liabilities or net position is one way to measure the Authority's financial health. Over time, increases or decreases in the net position are one indicator of whether its financial position is improving or deteriorating.

The higher the net position figure is, generally, the better the financial position. However, this information does not reflect ongoing fluctuations in the economic climate, regulatory changes, or other external forces that impact an entity's financial position, but which may not be quantifiable as of the financial statement date.

The Authority's total Net Position was \$3,651,751 at June 30, 2016.

**Table 1
Statement of Net Position (In thousands)**

	Total		Total Change
	2016	2015	
Cash and Cash Equivalents	\$ 827.75	\$ 631.41	\$ 196.34
Other Current Assets	398.22	275.77	122.45
Noncurrent Assets	5,998.28	6,296.23	(297.95)
Total Assets	<u>7,224.25</u>	<u>7,203.41</u>	<u>20.84</u>
Current Liabilities	922.84	722.23	200.62
Long Term Obligations	2,649.66	2,715.98	(66.32)
Total Liabilities	<u>3,572.50</u>	<u>3,438.21</u>	<u>134.30</u>
Net Investment in Capital Assets	4,914.40	5,145.75	(231.35)
Restricted	99.96	22.10	77.86
Unrestricted	(1,362.61)	(1,402.65)	40.04
Total Net Position	<u>\$ 3,651.75</u>	<u>\$ 3,765.20</u>	<u>\$ (113.45)</u>

The increase in total assets represents the cash increase in the Housing Choice Voucher program and accrual of accounts receivable due from HUD Capital Fund for the Energy Performance Contract of \$225K. The increase in total liabilities includes the Pension liability for \$1.71 million and an offset accrual for the balance owed on the Energy Performance Contract of \$225K.

All other increases and/or decreases result from the normal course of business.

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONT'D)

The decrease in Net Position of \$113K is explained in more detail on Table 2.

Table 2 compares the 2016 change in Net Position to the 2015 change in Net Position.

**Table 2
Changes in Net Position (In thousands)**

	Total		Total Change
	2016	2015	
Program Revenues:			
Rental Income	\$ 941.90	\$ 783.58	\$ 158.32
Operating Grants	9,013.31	9,046.06	(32.75)
Capital Grants Received	564.31	185.60	378.71
Other Revenue	234.28	506.12	(271.84)
Total Revenues	<u>10,753.80</u>	<u>10,521.36</u>	<u>232.44</u>
Program Expenses:			
Admin	1,233.16	1,344.96	(111.80)
Tenant & Protective Services	74.22	74.59	(0.37)
Utilities	366.81	339.73	27.08
Maint. & Operating	675.23	789.46	(114.23)
General & Insurance	714.69	365.92	348.77
Housing Assistance	6,928.41	7,351.26	(422.85)
Depreciation	874.74	867.49	7.25
Total Expenses	<u>10,867.26</u>	<u>11,133.41</u>	<u>(266.15)</u>
Change in Net Position	<u>\$ (113.46)</u>	<u>\$ (612.05)</u>	<u>\$ 498.59</u>

The increase in Rental income reflects the rent increases in low rent public housing primarily in single family homes.

The increase in Capital Grants reflects the \$500K emergency grant used to replace the chiller in the Joseph Floyd Manor property.

Decreased Admin and Maintenance & Operating expenses reflect the cost cutting measures implemented that included limiting of staff travel/training, requirement of staff to pay increased portion of insurance benefits, only making emergency repairs as well as other actions.

The increase in General & Insurance expenses is a result of \$138K in tenant write-offs due to large rent increases as mentioned above and other general expenses.

The decrease in Housing Assistance Payments (HAP) is due to fewer HCV lease-ups as a result of being in HUD's shortfall prevention program part of the fiscal year (CY2015) which included prohibition of lease-ups during that time.

All other increases and/or decreases result from the normal course of business.

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30th, 2016, the Authority had \$5.84 million invested in a broad range of capital assets, including land, buildings, furniture and equipment.

**Table 3
Capital Assets**

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Nondepreciable Assets:				
Land	\$ 855,470	\$ -	\$ -	\$ 855,470
Depreciable Assets:				
Building & Improvements	25,742,703	568,691	-	26,311,394
Equipment	951,084	14,122	-	965,206
Total	<u>27,549,257</u>	<u>582,813</u>	-	<u>28,132,070</u>
Accumulated Depreciation	<u>(21,420,718)</u>	(874,736)	-	<u>(22,295,454)</u>
Net Book Value	<u>\$ 6,128,539</u>			<u>\$ 5,836,616</u>

Long-term Debt

The Authority incurred long-term debt obligations totaling \$2.65 million, including \$853,675 payable to FNMA over 20 years, \$68,539 due within one year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Significant economic factors affecting the Authority are as follows:

- The Department of Housing and Urban Development has historically underestimated, and the Congress has historically underfunded, the Operating Fund subsidy needs of public housing authorities.
- Maintenance costs are expected to increase dramatically over the next several years, and further increase the pressure in requiring the Authority to continually evaluate its operating structure and the question of whether or not to continue to operate its public housing inventory, or to seek alternative means of increasing funding or divesting itself of some of the housing stock which is in need of the greatest amount of investment to maintain or upgrade its physical condition.
- The local rental marketplace has driven up the cost of rents in the community and continues to exert upward pressure on HAP costs, and has significantly reduced the available affordable housing opportunities for voucher holders.

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED June 30th 2016**

Significant economic factors (cont'd):

- Congress has historically underfunded the Capital Fund needs of the Public Housing industry. In addition, recently enacted programs such as the Rental Assistance Demonstration program have pointed out that HUD and Congress are seeking alternative methods of funding affordable housing, as opposed to dealing with the backlog of Capital needs in the Low Rent Public Housing program nationally. The Charleston County Housing and Redevelopment Authority is considering the feasibility of entering the Rental Assistance Demonstration and/or other federal programs as alternative means of addressing the deferred capital needs of our housing stock. Nonetheless, the fact remains that continued funding reductions combined with ever increasing operating costs will pose a serious solvency problem for all Housing programs in the future.
- Increase in Pension funding and Health Insurance costs, including required reporting of any unfunded pension obligations as determined by SC Retirement System (SCRS).
- Inflationary pressure on utility rates, maintenance contracts and other costs.
- Local labor supply and demand, which affects salary and wage rates.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, contact:

Melissa Maddox-Evans
Chief Executive Officer
CHARLESTON COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
2106 Mount Pleasant Street
Charleston, South Carolina 29403
843-722-1942

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

ASSETS

Current Assets

Cash & Cash Equivalents - Unrestricted	\$	520,938
Cash & Cash Equivalents - Restricted		306,813
Tenant Accounts Receivable, net of Allowances		15,619
Accounts Receivable - HUD		261,054
Accounts Receivable - Related Parties		40,375
Accounts Receivable - Other, net of Allowances		69,883
Inventory		10,927
Prepaid Expenses		366
Total Current Assets		1,225,975

Noncurrent Assets

Capital Assets, net of A/D		
Nondepreciable		855,470
Depreciable		4,981,146
Total Noncurrent Assets		5,836,616

Total Assets

7,062,591

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions		161,660
Total Deferred Outflows of Resources		161,660

LIABILITIES

Current Liabilities

Accounts Payable - Vendors and Contractors		173,325
Accounts Payable - Other Government (PILOT)		80,823
Accrued Wages & Related Payables		76,270
Accrued Compensated Absences		43,663
Accrued Liabilities - Other		242,244
Due to Related Parties		20,585
FSS Escrows Payable		16,888
Tenant Security Deposits Payable		80,424
Current Portion of Long Term Debt		68,539
Unearned Revenue		120,076
Total Current Liabilities		922,837

Noncurrent Liabilities

Accrued Compensated Absences		11,948
FSS Escrows Payable		53,890
Long-Term Debt		853,675
Net Pension Liability		1,707,842
Total Noncurrent Liabilities		2,627,355

Total Liabilities

3,550,192

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions		22,308
Total Deferred Inflows of Resources		22,308

NET POSITION

Net Investment in Capital Assets		4,914,402
Restricted for:		
Housing Assistance Payments		43,551
Debt Service		56,412
Unrestricted		(1,362,614)
Total Net Position	\$	3,651,751

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

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

Operating Revenue	
Tenant Rental Revenue	\$ 941,902
HUD Operating Grants	9,013,311
Fees for Other Services	172,770
Other Revenue	60,230
Total Operating Revenue	10,188,213
Operating Expenses	
Administrative	1,233,163
Tenant & Protective Services	74,222
Utilities	366,813
Ordinary Maintenance and Operations	675,230
Insurance Premiums	125,744
General	517,664
Housing Assistance Payments	6,928,411
Depreciation	874,736
Total Operating Expenses	10,795,983
Operating Income (Loss)	(607,770)
Nonoperating Revenues (Expenses)	
Gain (Loss) on Sale of Capital Assets	-
Interest Income	1,274
Interest and Financing Expense	(54,885)
Nonroutine Maintenance / Casualty Losses	(16,389)
Total Nonoperating Revenues (Expenses)	(70,000)
Income (Loss) before Capital Contributions	(677,770)
Capital Contributions	564,311
Change in Net Position	(113,459)
Net Position, Beginning of Period	3,765,210
Net Position, End of Period	\$ 3,651,751

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

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Cash Received from Operations	\$ 1,138,029
HUD Operating Grants	8,759,837
Housing Assistance Payments	(6,928,411)
Payments to Vendors	(1,789,608)
Payments to Employees	(1,081,286)
Other Receipts (Payments)	175,583
Net Cash Provided by (Used in) Operating Activities	<u>274,144</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Payments on Debt	-
Purchases of Capital Assets	(582,813)
Interest Payments on Debt	-
Capital Grants Received	503,739
Net Cash Provided by (Used in) Capital & Related Financing Activities	<u>(79,074)</u>
Cash Flows from Investing Activities:	
Interest Income	1,274
Net Cash Provided by (Used in) Investing Activities	<u>1,274</u>
Net Increase (Decrease) in Cash	196,344
Cash at the Beginning of the Period	<u>631,407</u>
Cash at the End of the Period	<u><u>\$ 827,751</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ (607,770)
Adjustments to Reconcile Change in Net Cash Provided by Operating Activities:	
Depreciation Expense	874,736
Pension Expense	(114,433)
Employer Pension Contributions	119,885
Nonroutine Maintenance / Casualty Losses	(16,389)
Operating Grant revenue for Interest Expense	(49,655)
Change in Operating Assets and Liabilities:	
Decrease (Increase) in Receivables	(124,750)
Decrease (Increase) in Inventory	2,235
Decrease (Increase) in Prepaid Expenses	61
Increase (Decrease) in Accounts Payable	(68,617)
Increase (Decrease) in Other Liabilities	258,841
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 274,144</u></u>
 Noncash Capital and Related Financing:	
Debt payments provided directly to HUD	<u>\$ (60,572)</u>
Interest payments directly to HUD	<u><u>\$ (49,655)</u></u>

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

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Charleston County Housing and Redevelopment Authority (the Authority) is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representations of the Authority's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other administrative sources, and have been consistently applied in the preparation of the financial statements.

Reporting Entity

The Authority was organized under the laws of the State of South Carolina, established in 1972, for the purpose of providing adequate housing for qualified low income individuals. The Authority is governed 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 is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

The Authority's combined financial statements include the accounts of all the Authority's operations. The criteria for including organizations as component units within the reporting entity, as set forth in GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Authority's Board of Commissioners or the component unit provides services entirely to the Authority. These component units' funds are blended into those of the Authority's by appropriate activity type to compose the primary government presentation. Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

Based on the aforementioned criteria, management has determined that the Authority is not a component unit of the county and has no component units.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

The Authority operates proprietary funds only, which are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation are included on the Statement of Net Position.

Operating revenues are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating Revenue includes rental income, operating grants, management services income and all other revenue relating to the provision of safe, decent, and affordable housing that do not result from transactions defined as capital and related financing, non-capital and related financing, or investing activities. Operating expenses include wages, housing assistance payments, utilities, maintenance, depreciation, and all other expenses relating to the provision of safe, decent, and affordable housing that do not result from transactions defined as capital and related financing, non-capital and related financing, or investing activities.

In addition, the Authority receives capital grants from HUD to be used for various purposes connected with the planning, modernization, and expansion of housing facilities and equipment. Receipts used for non-capitalizable costs are reported as operating revenue and receipts used for capitalization costs are reported as capital contributions.

The Authority has elected to report as a single enterprise proprietary fund and its primary operations comprise a number of housing and grant programs as follows:

- The ***Housing Choice Voucher Program*** provides rental housing assistance subsidies in support of 1,079 housing units. The purpose of the program is to provide decent and affordable housing to low income families and elderly and handicapped persons wherein rental assistance is provided by HUD. The associated units are owned, maintained and managed by private landlords.
- The ***Public Housing Program*** operates under HUD's Annual Contribution Contract and consists of the operations of low rent public housing properties totaling 399 units. The purpose of the program is to provide decent and affordable housing to low-income families at reduced rents. The properties are owned, maintained, and managed by the Authority. The properties are acquired, developed, and modernized under HUD's Capital Fund Program. Funding of the program is provided by federal annual contributions and operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition).
- The ***Capital Fund Program*** accounts for the capital and management improvement activities, primarily for the modernization and development of low-rent public housing units.
- The ***Resident Opportunities and Support Services (ROSS) Program*** provides public housing residents supportive services, resident empowerment activities and assistance in becoming economically self-sufficient.
- The ***Central Office Cost Center (COCC)*** consists of the accounting of management fees and other contract services fee revenue and related expenses not attributable to the programs previously defined. Any net income generated by the COCC will be "defederalized" and will not be subject to restrictions placed on the Authority under its Annual Contributions Contract with HUD.

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The financial statements of the Authority are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The financial statements include:

1. A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.
2. Financial statements prepared using full accrual accounting for all of the Authority's activities.
3. Required Supplemental Pension Information providing historical pension related data.

Estimates

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses used during the reporting period. Actual results could differ from those estimates. Significant estimates include the economic lives of capital assets.

Cash and Cash Equivalents

Cash and cash equivalents represent deposits with financial institutions in the form of cash and all highly liquid investments (including restricted assets) with original maturities of three months or less.

Accounts Receivable

Management periodically assesses the collectability of its receivables and establishes an allowance for uncollectible accounts for all accounts it deems uncollectible. Currently, there is an \$85,591 allowance established for tenant receivables in its public housing program and a \$183,241 allowance for other receivables.

Inventory

The Authority's inventory consists of materials and supplies used to maintain its rental stock. The inventory is valued using the weighted average method and recorded at cost.

Capital Assets

Land, buildings, and equipment are stated at cost and depreciated over their estimated useful lives. The capitalization threshold is \$1,000. Donated assets are recorded at estimated market value as of the date of the donation. Construction in progress costs are not depreciated until the corresponding projects are completed.

Depreciation has been provided over the following useful lives using the straight-line method of depreciation as follows:

Building and Improvements	5 to 30 years
Furniture and Equipment	3 to 10 years
Vehicles	3 to 7 years
Land Improvements	15 years

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases

The Authority leases substantially all of its buildings and improvements to tenants in the form of operating leases. Leases are for a period of one year, cancellable upon sufficient notice.

Compensated Absences

Employees accumulate vacation and sick days for subsequent use or payment upon termination. Compensated absences are accrued when incurred and reported as a liability until paid.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue, or a reduction in expense, in future periods.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) pension plan and additions to/deductions from SCRS's fiduciary net position have been determined on the same basis as they are reported by SCRS. For this purpose, benefit payments, (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Equity Classifications

Equity is classified as net position and displayed in three components in the Statement of Net Position.

1. **Net Investment in Capital Assets** consists of capital assets including restricted capital assets, net of accumulated depreciation and 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.
2. **Restricted** consists of net position with constraints place on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations or other governments; or (2) law through constitutional provisions or enabling legislation. The Authority's restricted net position consists of unspent housing assistance funding and a debt service escrow restricted from use by HUD.
3. **Unrestricted** consists of all other net position that do not meet the definition of Restricted or Net Investment in Capital Assets.

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial Credit Risk for Deposits

The Authority maintains cash with FDIC depository banks. At times, the Authority's balances may exceed the Federal insurance limits; however, the Authority has not experienced any losses with respect to its bank balance in excess of government provided insurance. In addition, balances are fully collateralized through agreements with the financial institution. Management believes that no significant risk exists with respect to cash balances as of June 30, 2016.

The breakdown of restricted deposits reported as of June 30, 2016 is as follows:

<u>Restrictions on Deposits</u>	<u>Primary Government</u>
Restricted Cash - Debt Service	\$ 56,412
Restricted Cash - Security Deposits	80,424
Restricted Cash - HAP	43,551
Restricted Cash - FSS Escrows	70,778
Restricted Cash - HUD FSS Funding	55,648
Total Restricted Cash	<u>\$ 306,813</u>

NOTE 3 – CAPITAL ASSETS

The following is a summary of the changes in Capital Assets during the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Nondepreciable Assets:				
Land	\$ 855,470	\$ -	\$ -	\$ 855,470
Depreciable Assets:				
Building & Improvements	25,742,703	568,691	-	26,311,394
Equipment	951,084	14,122	-	965,206
Total	<u>27,549,257</u>	<u>582,813</u>	-	<u>28,132,070</u>
Accumulated Depreciation	<u>(21,420,718)</u>	(874,736)	-	<u>(22,295,454)</u>
Net Book Value	<u>\$ 6,128,539</u>			<u>\$ 5,836,616</u>

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4 – NONCURRENT LIABILITIES

The following is a summary of changes in noncurrent liabilities during the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 65,605	\$ 114,028	\$ (124,022)	\$ 55,611	\$ 43,663
FSS Escrows	69,263	35,964	(34,449)	70,778	16,888
Long-Term Debt	982,786	-	(60,572)	922,214	68,539
Net Pension Liability	1,591,338	214,281	(97,777)	1,707,842	-
Total	<u>\$ 2,708,992</u>	<u>\$ 364,273</u>	<u>\$ (316,820)</u>	2,756,445	<u>\$ 129,090</u>
			Less Current Portion:	<u>(129,090)</u>	
			Noncurrent Portion:	<u>\$ 2,627,355</u>	

NOTE 5 – LONG TERM DEBT

The Authority holds a mortgage, payable to FNMA, dated December 13, 2006, to be used to finance renovation and rehabilitation of public housing projects. The mortgage is to be repaid using obligated Capital Fund Program grants, as approved by HUD under the Capital Fund Financing Program (CFFP), and is payable over 20 years in monthly installments of \$9,186, including interest at an annual rate of 4.60%. The mortgage is secured by the project assets and includes a debt service fund restriction in the original amount of \$55,114.

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>	<u>Due Within One Year</u>
FNMA Mortgage	\$ 982,786	\$ -	\$ (60,572)	\$ 922,214	\$ 68,539
	<u>\$ 982,786</u>	<u>\$ -</u>	<u>\$ (60,572)</u>	\$ 922,214	<u>\$ 68,539</u>
			Less: Current Portion	<u>(68,539)</u>	
			Long-Term Portion	<u>\$ 853,675</u>	

Aggregate maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2017	\$ 68,538	\$ 41,690	\$ 110,228
2018	71,927	38,301	110,228
2019	75,354	34,874	110,228
2020	78,860	31,368	110,228
2021	82,702	27,526	110,228
2022-2026	476,473	74,667	551,140
2027-2032	68,360	1,139	69,499
	<u>\$ 922,214</u>	<u>\$ 249,565</u>	<u>\$ 1,171,779</u>

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6 – VOUCHER NET POSITION BREAKDOWN

The following is a detailed breakdown of the change in Housing Choice Voucher Net Position:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Beginning Net Position	\$ (30,528)	\$ 22,103	\$ (8,425)
Revenue			
HUD Operating Grants	682,393	6,810,073	7,492,466
Portability In Billings	150,009	-	150,009
Investment Income	948	-	948
Fraud Recovery	159	159	318
Total Revenue	<u>833,509</u>	<u>6,810,232</u>	<u>7,643,741</u>
Expenses			
Operating	(668,178)	-	(668,178)
Housing Assistance Payments	(139,627)	(6,788,784)	(6,928,411)
Total Expenses	<u>(807,805)</u>	<u>(6,788,784)</u>	<u>(7,596,589)</u>
Net Result	<u>25,704</u>	<u>21,448</u>	<u>47,152</u>
Ending Net Position	\$ (4,824)	<u>\$ 43,551</u>	<u>\$ 38,727</u>
Net Pension Balances	<u>470,547</u>		
Adjusted Unrestricted Net Position	<u>\$ 465,723</u>		
HUD-Held Program Reserves		<u>\$ 288,460</u>	

NOTE 7 – RELATED PARTIES

The Authority is related to the Low Country Housing and Economic Development Foundation (Foundation) in that the Authority's Executive Director also served as an officer of the Foundation in 2016. The Authority is also co-general partner in Lincolnville, LLC which, along with Mayflower LLC, are two Low Income Housing Tax Credit projects developed by the Foundation. In addition, many of the administrative functions and all of the accounting functions of the Foundation are managed by the Authority. In that capacity, the Authority charges the costs of Authority employees and other direct costs directly to the projects and allocates a portion of its common overhead costs based upon various allocation methodology. In addition, as compensation for these services, the Authority charges a management fee based on 5% of the gross rents collected by from Lincolnville, LLC and Mayflower, LLC. Total fees of \$16,796 have been charged during the year ended June 30, 2016.

NOTE 8 – RETIREMENT PLAN

Plan Description

The Authority is a member of the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan that covers full-time employees of the Authority. The SCRS is administered by the South Carolina Public Employee Benefit Authority (PEBA) according to the provisions of Section 9-1-20 of the South Carolina Code of Laws. SCRS issues a publicly available report that includes financial statements and required supplementary information. Those reports may be obtained online at www.peba.sc.gov or a hardcopy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 – RETIREMENT PLAN (CONT'D)

Benefits Provided

The SCRS makes provision for the retirement, and death and survivor benefits. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. The South Carolina Retirement System Investment Commission has exclusive authority to invest and manager the retirement trust fund's assets. Three monthly annuity payment options are available to retirees. The first option is a maximum monthly annuity, which is a lifetime annuity based on average final compensation, years of service, and a multiplier of 0.0182. Upon death PEBA will return a lump sum benefit of any remaining balance of member contributions and interest to your beneficiary. Option two is a reduced monthly annuity for life. After death, the same annuity (100%) continues throughout your beneficiary's lifetime. Option three is a reduced monthly annuity for life, and after death 50% of that monthly annuity is continued throughout your beneficiary's lifetime. Class Two members separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years of credited service, regardless of age. Members may elect early retirement at age 55 with 25 years of credited service for a reduced benefit. Class Three members who are separated from service with at least eight years of earned service is eligible for monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and member's creditable service equals at least 90. Both class Two and Three members may elect to receive a reduced benefit at age 60 if they meet the five or eight year earned service requirement, respectively. The annual retirement allowance is increased by the lesser of one percent or five hundred dollars every July 1. Incidental death benefits are available to beneficiaries of active and retired members who participate in the death benefit program.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may adopt and present to the Budget and Control Board for approval of an increase in the SCRS employer and employee contribution rates, however, any such increase may not result in a differential between the total employer and employee contribution rate that exceeds 2.9% of earnable compensation for SCRS. An increase adopted by the Board may not provide for an increase more than one-half of one percent in any one year. Fiscal year 2016 required employee and employer rates were 8.16% and 11.06% respectively. The employer's portion includes 0.15% for incidental death benefits. Contributions to the pension plan from the Authority were \$119,885 for the year ended June 30, 2016.

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

As of June 30, 2016, the Authority reported a net pension liability of \$1,707,842. 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, 2014. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions, actuarially determined. As of June 30, 2015, the Authority's proportion was 0.009005 percent, which was a decrease of 0.000238 percent from its proportion as of June 30, 2014.

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 8 – RETIREMENT PLAN (CONT'D)

For the year ended June 30, 2016 the Authority recognized pension expense of \$114,885. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 30,343	\$ 3,054
Differences between Projected and Actual Investment Earnings	11,432	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions		19,254
Contributions Made after Valuation Date	119,885	-
	\$ 161,660	\$ 22,308

\$119,885 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 1,227
2017	1,227
2018	(9,196)
2019	26,209
2020	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary Increases	3.5 percent
Investment Rate of Return	7.5 percent

Mortality rates were determined using published Scale AA projected through the year 2000.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for a five-year period ending June 30, 2010. The SCRS Board adopted the experience study recommended changes and those changes were effective for the July 1, 2014 actuarial valuation. Details of the assumptions resulting from the experience study performed as of June 30, 2010 appear in the Actuarial Section of the June 30, 2015 Comprehensive Annual Financial Report (CAFR).

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 – RETIREMENT PLAN (CONT'D)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2%	0.04%
Short Duration	3%	0.06%
Core Fixed Income	7%	0.19%
Mixed Credit	6%	0.23%
Global Fixed Income	3%	0.08%
Emerging Markets Debt	6%	0.31%
Global Public Equity	31%	2.20%
Global Tactical Asset Allocation	10%	0.49%
Hedge Funds (Low Beta)	8%	0.34%
Private Debt	7%	0.69%
Private Equity	9%	0.89%
Real Estate (Broad Market)	5%	0.30%
Commodities	3%	0.18%
Total Expected Real Return	<u>100%</u>	<u>6.00%</u>
Inflation for Actuarial Purposes		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u><u>8.75%</u></u>

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rate based on the Boards' funding policy, which establishes the contractually required rate under South Carolina State Code of Laws. Based on those assumptions, the pension plan's 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.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following projects the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 8 – RETIREMENT PLAN (CONT'D)

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Authority's Proportionate Share of Net Pension Liability	\$2,153,100	\$1,707,842	\$ 1,334,658

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued SCRS financial report.

Payable to Pension Plan

As of June 30, 2016, the Authority reported a payable of \$65,808 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NOTE 9 – GOING CONCERN CONSIDERATION

The Authority had experienced operating losses (before depreciation) of approximately \$(209,000), \$(411,000), and \$(202,000) in 2015, 2014, and 2013, respectively (each year adjusted for excess (deficit) HCV funding, and impact of PILOT forgiveness by County in 2015). As of June 30, 2015, the Authority had an unrestricted net position deficit of \$(1,406,000) and current liabilities had exceeded current unrestricted assets by \$64,000. To address these shortcomings, management had adopted aggressive strategies to restructure the organization in order to maintain financial solvency.

Those strategies resulted in adjusted operating results (as noted above) of approximately \$175,000, including an increase in cash of \$196,344. In addition, current unrestricted assets exceed adjusted current liabilities by \$162,176. As such, management believes that implementation of the aforementioned strategies has satisfied the immediate risk and can continue as an on-going viable financial concern.

NOTE 10 – HUD ROSS GRANTS

The Authority was awarded HUD operating grants for resident services. The following completed grants have been fully expended, disbursed and liabilities fully paid as of June 30, 2016:

None completed in 2016.

The following grants are open as of June 30, 2016:

	SC056	
	FSH604-A014	FSH604-A015
Funds Authorized	\$ 59,500	\$ 60,000
Funds Advanced	49,842	25,572
Less Project Expenditures	21,915	25,572
Excess(Deficiency) of Advances	\$ 27,927	\$ -

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 11 – HUD CAPITAL GRANTS

The Authority was awarded Federal development funds for modernization projects and replacement housing. Grant expenditures were audited in accordance with program requirements. The following completed grants have been fully expended, disbursed and liabilities fully paid as of June 30, 2016:

	SC16-P056		
	501-11	501-12	501-15EM
Funds Authorized	\$ 388,348	\$ 345,240	\$ 501,092
Funds Advanced	388,348	345,240	501,092
Less Project Expenditures	388,348	345,240	501,092
Excess(Deficiency) of Advances	\$ -	\$ -	\$ -

The following grants are open as of June 30, 2016:

	SC16-P056			
	501-13	501-14	501-15	501-16
Funds Authorized	\$ 314,002	\$ 389,974	\$ 396,685	\$ 414,355
Funds Advanced	303,694	231,181	77,335	-
Less Project Expenditures	314,002	327,971	212,123	19,168
Excess(Deficiency) of Advances	\$ (10,308)	\$ (96,790)	\$ (134,788)	\$ (19,168)

NOTE 12 – CONTINGENCIES

Charleston County imposes a fee annually on commercial and residential customers to support solid waste and storm water utilities. It has been the Authority's contention that these fees represent a special tax assessment from which the Authority is exempt under the Cooperation Agreement executed between the County and Authority in 1976 that provides for a payment in lieu of taxes (*PILOT*). The State Supreme Court has ruled that whether a local government treats storm water fees as a user fee or tax is dependent upon local ordinance.

Management has reviewed the Charleston County ordinance and determined that, while the wording of the ordinance is not definitive, it appears that the fees represent a tax rather than a user fee. Consequently, the Authority has taken the position that the assessment is exempt under PILOT and, for that reason, does not pay the annual amounts billed by the County. Cumulative unpaid billings per the County totaling over \$600,000 and have not been considered to be a liability in the accompanying financial statements.

NOTE 13 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority's receives a substantial portion of its revenue from HUD. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, and other regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost to comply with the change.

CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 14 – DATE OF MANAGEMENT’S REVIEW

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through January 16, 2017 the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
SCHEDULES OF REQUIRED SUPPLEMENTARY PENSION INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

Schedule of the Authority's Proportionate Share of the Net Pension Liability

	<u>2016</u> <u>(2015)</u>	<u>2015</u> <u>(2014)</u>	<u>2014</u> <u>(2013)</u>	<u>2013</u> <u>through</u> <u>2007</u>
Authority's Portion of the Net Pension Liability	0.009005%	0.009243%	0.009243%	Information not available
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,707,842	\$ 1,591,338	\$ 1,657,864	
Authority's Covered-Employee Payroll	\$ 1,091,807	\$ 1,149,740	\$ 1,122,242	
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	156.42%	138.41%	147.73%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.0%	59.9%	56.4%	

Schedule of Authority Contributions

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily Required Contribution	\$ 119,885	\$ 119,007	\$ 121,872
Contributions in Relation to the Statutorily Required Contribution	<u>\$ (119,885)</u>	<u>\$ (119,007)</u>	<u>\$ (121,872)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>
Authority's Covered Payroll	\$ 1,083,951	\$ 1,091,807	\$ 1,149,740
Contributions as a Percentage of Covered-Employee Payroll	11.06%	10.90%	10.60%

	<u>2013</u>	<u>2012</u> <u>through</u> <u>2008</u>
Statutorily Required Contribution	\$ 118,958	Information not available
Contributions in Relation to the Statutorily Required Contribution	<u>\$ (118,958)</u>	
Contribution Deficiency (Excess)	<u>-</u>	
Authority's Covered Payroll	\$ 1,122,242	
Contributions as a Percentage of Covered-Employee Payroll	10.60%	

Charleston County Housing and Redevelopment Authority (SC056)
Charleston, SC
Entitywide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	Project Total	14.896 PIH Family Self- Sufficiency Program	14.871 Housing Choice Vouchers	1 Business Activities
111 Cash - Unrestricted	\$3,571		\$453,902	\$63,465
112 Cash - Restricted - Modernization and Development	\$56,412			
113 Cash - Other Restricted			\$97,441	
114 Cash - Tenant Security Deposits	\$80,424			
115 Cash - Restricted for Payment of Current Liabilities		\$27,927	\$44,609	
100 Total Cash	\$140,407	\$27,927	\$595,952	\$63,465
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$261,054			
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous	\$69,769		\$24,820	\$199,833
126 Accounts Receivable - Tenants	\$101,210			
126.1 Allowance for Doubtful Accounts - Tenants	-\$85,591			
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	-\$150,000
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery			\$33,241	
128.1 Allowance for Doubtful Accounts - Fraud			-\$33,241	
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$346,442	\$0	\$24,820	\$49,833
142 Prepaid Expenses and Other Assets	\$366			
143 Inventories	\$11,896			
143.1 Allowance for Obsolete Inventories	-\$969			
144 Inter Program Due From	\$586,574		\$0	\$64,134
150 Total Current Assets	\$1,084,716	\$27,927	\$620,772	\$177,432
161 Land	\$855,470			
162 Buildings	\$25,804,851			\$502,985
163 Furniture, Equipment & Machinery - Dwellings	\$190,109		\$0	
164 Furniture, Equipment & Machinery - Administration	\$495,635		\$139,518	\$74,272
166 Accumulated Depreciation	-\$21,593,884		-\$84,306	-\$557,516
167 Construction in Progress				
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,752,181	\$0	\$55,212	\$19,741
171 Notes, Loans and Mortgages Receivable - Non-Current				
180 Total Non-Current Assets	\$5,752,181	\$0	\$55,212	\$19,741
200 Deferred Outflow of Resources	\$69,513		\$48,498	

Charleston County Housing and Redevelopment Authority (SC056)
Charleston, SC
Entitywide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$520,938		\$520,938
112 Cash - Restricted - Modernization and Development		\$56,412		\$56,412
113 Cash - Other Restricted		\$97,441		\$97,441
114 Cash - Tenant Security Deposits		\$80,424		\$80,424
115 Cash - Restricted for Payment of Current Liabilities		\$72,536		\$72,536
100 Total Cash	\$0	\$827,751	\$0	\$827,751
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects		\$261,054		\$261,054
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous		\$294,422	-\$34,164	\$260,258
126 Accounts Receivable - Tenants		\$101,210		\$101,210
126.1 Allowance for Doubtful Accounts -Tenants	\$0	-\$85,591		-\$85,591
126.2 Allowance for Doubtful Accounts - Other	\$0	-\$150,000		-\$150,000
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery		\$33,241		\$33,241
128.1 Allowance for Doubtful Accounts - Fraud		-\$33,241		-\$33,241
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$421,095	-\$34,164	\$386,931
142 Prepaid Expenses and Other Assets		\$366		\$366
143 Inventories		\$11,896		\$11,896
143.1 Allowance for Obsolete Inventories		-\$969		-\$969
144 Inter Program Due From		\$650,708	-\$650,708	\$0
150 Total Current Assets	\$0	\$1,910,847	-\$684,872	\$1,225,975
161 Land		\$855,470		\$855,470
162 Buildings	\$3,558	\$26,311,394		\$26,311,394
163 Furniture, Equipment & Machinery - Dwellings		\$190,109		\$190,109
164 Furniture, Equipment & Machinery - Administration	\$65,672	\$775,097		\$775,097
166 Accumulated Depreciation	-\$59,748	-\$22,295,454		-\$22,295,454
167 Construction in Progress				
160 Total Capital Assets, Net of Accumulated Depreciation	\$9,482	\$5,836,616	\$0	\$5,836,616
171 Notes, Loans and Mortgages Receivable - Non-Current				
180 Total Non-Current Assets	\$9,482	\$5,836,616	\$0	\$5,836,616
200 Deferred Outflow of Resources	\$43,649	\$161,660		\$161,660

Charleston County Housing and Redevelopment Authority (SC056)
Charleston, SC
Entitywide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	Project Total	14.896 PIH Family Self- Sufficiency Program	14.871 Housing Choice Vouchers	1 Business Activities
290 Total Assets and Deferred Outflow of Resources	\$6,906,410	\$27,927	\$724,482	\$197,173
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$99,480		\$23,689	\$2,635
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$60,611		\$7,055	
322 Accrued Compensated Absences - Current Portion	\$23,033		\$6,725	
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs		\$0		
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$80,823			
341 Tenant Security Deposits	\$80,424			
342 Unearned Revenue	\$49,324	\$27,927	\$27,721	\$15,104
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$68,539			
345 Other Current Liabilities			\$16,888	\$20,585
346 Accrued Liabilities - Other	\$247,344		\$28,064	
347 Inter Program - Due To	\$621,520			
348 Loan Liability - Current				
310 Total Current Liabilities	\$1,331,098	\$27,927	\$110,142	\$38,324
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$853,675			
353 Non-current Liabilities - Other			\$53,890	
354 Accrued Compensated Absences - Non Current	\$5,036		\$2,678	
357 Accrued Pension and OPEB Liabilities	\$734,370		\$512,353	
350 Total Non-Current Liabilities	\$1,593,081	\$0	\$568,921	\$0
300 Total Liabilities	\$2,924,179	\$27,927	\$679,063	\$38,324
400 Deferred Inflow of Resources	\$9,591		\$6,692	
508.4 Net Investment in Capital Assets	\$4,829,967	\$0	\$55,212	\$19,741
511.4 Restricted Net Position	\$56,412	\$0	\$43,551	\$0
512.4 Unrestricted Net Position	-\$913,739	\$0	-\$60,036	\$139,108
513 Total Equity - Net Assets / Position	\$3,972,640	\$0	\$38,727	\$158,849
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,906,410	\$27,927	\$724,482	\$197,173

Charleston County Housing and Redevelopment Authority (SC056)
Charleston, SC
Entitywide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	COCC	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources	\$53,131	\$7,909,123	-\$684,872	\$7,224,251
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$47,521	\$173,325		\$173,325
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$8,604	\$76,270		\$76,270
322 Accrued Compensated Absences - Current Portion	\$13,905	\$43,663		\$43,663
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs		\$0		\$0
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government		\$80,823		\$80,823
341 Tenant Security Deposits		\$80,424		\$80,424
342 Unearned Revenue		\$120,076		\$120,076
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$68,539		\$68,539
345 Other Current Liabilities		\$37,473		\$37,473
346 Accrued Liabilities - Other	\$1,000	\$276,408	-\$34,164	\$242,244
347 Inter Program - Due To	\$29,188	\$650,708	-\$650,708	\$0
348 Loan Liability - Current				
310 Total Current Liabilities	\$100,218	\$1,607,709	-\$684,872	\$922,837
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$853,675		\$853,675
353 Non-current Liabilities - Other		\$53,890		\$53,890
354 Accrued Compensated Absences - Non Current	\$4,234	\$11,948		\$11,948
357 Accrued Pension and OPEB Liabilities	\$461,119	\$1,707,842		\$1,707,842
350 Total Non-Current Liabilities	\$465,353	\$2,627,355	\$0	\$2,627,355
300 Total Liabilities	\$565,571	\$4,235,064	-\$684,872	\$3,550,192
400 Deferred Inflow of Resources	\$6,025	\$22,308		\$22,308
508.4 Net Investment in Capital Assets	\$9,482	\$4,914,402		\$4,914,402
511.4 Restricted Net Position	\$0	\$99,963		\$99,963
512.4 Unrestricted Net Position	-\$527,947	-\$1,362,614		-\$1,362,614
513 Total Equity - Net Assets / Position	-\$518,465	\$3,651,751	\$0	\$3,651,751
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$53,131	\$7,909,123	-\$684,872	\$7,224,251

Charleston County Housing and Redevelopment Authority (SC056)
 Charleston, SC
 Entitywide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	Project Total	14.896 PIH Family Self- Sufficiency Program	14.871 Housing Choice Vouchers	1 Business Activities
70300 Net Tenant Rental Revenue	\$911,761			
70400 Tenant Revenue - Other	\$30,141			
70500 Total Tenant Revenue	\$941,902	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$1,473,358	\$47,487	\$7,492,466	
70610 Capital Grants	\$564,311			
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$231		\$948	
71400 Fraud Recovery			\$318	
71500 Other Revenue	\$5,178		\$150,009	\$93,263
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted	\$95			
70000 Total Revenue	\$2,985,075	\$47,487	\$7,643,741	\$93,263
91100 Administrative Salaries	\$202,402		\$208,819	
91200 Auditing Fees	\$9,381		\$6,281	
91300 Management Fee	\$294,850		\$145,427	
91310 Book-keeping Fee	\$35,422		\$90,893	
91400 Advertising and Marketing	\$482		\$803	
91500 Employee Benefit contributions - Administrative	\$77,462		\$86,654	
91600 Office Expenses	\$43,627		\$32,789	\$1,095
91700 Legal Expense	\$1,618		\$466	\$750
91800 Travel	\$9,792		\$15,683	\$1,704
91900 Other	\$16,238		\$6,864	\$33,877
91000 Total Operating - Administrative	\$691,274	\$0	\$594,679	\$37,426
92000 Asset Management Fee	\$12,000			
92100 Tenant Services - Salaries		\$42,847		
92300 Employee Benefit Contributions - Tenant Services		\$4,640		
92400 Tenant Services - Other	\$2,728			
92500 Total Tenant Services	\$2,728	\$47,487	\$0	\$0

Charleston County Housing and Redevelopment Authority (SC056)
 Charleston, SC
 Entitywide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue		\$911,761		\$911,761
70400 Tenant Revenue - Other		\$30,141		\$30,141
70500 Total Tenant Revenue	\$0	\$941,902	\$0	\$941,902
70600 HUD PHA Operating Grants		\$9,013,311		\$9,013,311
70610 Capital Grants		\$564,311		\$564,311
70800 Other Government Grants				
71100 Investment Income - Unrestricted		\$1,179		\$1,179
71400 Fraud Recovery		\$318		\$318
71500 Other Revenue		\$248,450	-\$15,768	\$232,682
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted		\$95		\$95
70000 Total Revenue	\$578,592	\$11,348,158	-\$594,360	\$10,753,798
91100 Administrative Salaries	\$300,783	\$712,004		\$712,004
91200 Auditing Fees	\$1,000	\$16,662		\$16,662
91300 Management Fee		\$440,277	-\$440,277	\$0
91310 Book-keeping Fee		\$126,315	-\$126,315	\$0
91400 Advertising and Marketing		\$1,285		\$1,285
91500 Employee Benefit contributions - Administrative	\$141,571	\$305,687		\$305,687
91600 Office Expenses	\$23,291	\$100,802	-\$15,768	\$85,034
91700 Legal Expense	\$1,138	\$3,972		\$3,972
91800 Travel	\$10,592	\$37,771		\$37,771
91900 Other	\$13,769	\$70,748		\$70,748
91000 Total Operating - Administrative	\$492,144	\$1,815,523	-\$582,360	\$1,233,163
92000 Asset Management Fee		\$12,000	-\$12,000	\$0
92100 Tenant Services - Salaries		\$42,847		\$42,847
92300 Employee Benefit Contributions - Tenant Services		\$4,640		\$4,640
92400 Tenant Services - Other		\$2,728		\$2,728
92500 Total Tenant Services	\$0	\$50,215	\$0	\$50,215

Charleston County Housing and Redevelopment Authority (SC056)
 Charleston, SC
 Entitywide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	Project Total	14.896 PIH Family Self- Sufficiency Program	14.871 Housing Choice Vouchers	1 Business Activities
93100 Water	\$139,774			
93200 Electricity	\$216,229			
93300 Gas	\$6,034			
93800 Other Utilities Expense	\$4,776			
93000 Total Utilities	\$366,813	\$0	\$0	\$0
94100 Ordinary Maintenance and Operations - Labor	\$208,845			
94200 Ordinary Maintenance and Operations - Materials and Other	\$118,984		\$583	
94300 Ordinary Maintenance and Operations Contracts	\$217,878			\$671
94500 Employee Benefit Contributions - Ordinary Maintenance	\$120,821		\$5,478	
94000 Total Maintenance	\$666,528	\$0	\$6,061	\$671
95200 Protective Services - Other Contract Costs	\$24,007			
95000 Total Protective Services	\$24,007	\$0	\$0	\$0
96110 Property Insurance	\$72,139			
96120 Liability Insurance	\$3,307		\$2,316	
96130 Workmen's Compensation	\$16,879		\$11,585	
96140 All Other Insurance	\$5,091		\$1,392	
96100 Total insurance Premiums	\$97,416	\$0	\$15,293	\$0
96200 Other General Expenses	\$224,900		\$4,653	
96210 Compensated Absences	\$48,763		\$27,478	
96300 Payments in Lieu of Taxes	\$40,420			
96400 Bad debt - Tenant Rents	\$133,663			
96600 Bad debt - Other				
96000 Total Other General Expenses	\$447,746	\$0	\$32,131	\$0
96710 Interest of Mortgage (or Bonds) Payable	\$49,655			
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs	\$5,230			
96700 Total Interest Expense and Amortization Cost	\$54,885	\$0	\$0	\$0

Charleston County Housing and Redevelopment Authority (SC056)
 Charleston, SC
 Entitywide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	COCC	Subtotal	ELIM	Total
93100 Water		\$139,774		\$139,774
93200 Electricity		\$216,229		\$216,229
93300 Gas		\$6,034		\$6,034
93800 Other Utilities Expense		\$4,776		\$4,776
93000 Total Utilities	\$0	\$366,813	\$0	\$366,813
94100 Ordinary Maintenance and Operations - Labor		\$208,845		\$208,845
94200 Ordinary Maintenance and Operations - Materials and Other	\$549	\$120,116		\$120,116
94300 Ordinary Maintenance and Operations Contracts	\$1,421	\$219,970		\$219,970
94500 Employee Benefit Contributions - Ordinary Maintenance		\$126,299		\$126,299
94000 Total Maintenance	\$1,970	\$675,230	\$0	\$675,230
95200 Protective Services - Other Contract Costs		\$24,007		\$24,007
95000 Total Protective Services	\$0	\$24,007	\$0	\$24,007
96110 Property Insurance	\$186	\$72,325		\$72,325
96120 Liability Insurance	\$1,398	\$7,021		\$7,021
96130 Workmen's Compensation	\$10,734	\$39,198		\$39,198
96140 All Other Insurance	\$717	\$7,200		\$7,200
96100 Total insurance Premiums	\$13,035	\$125,744	\$0	\$125,744
96200 Other General Expenses		\$229,553		\$229,553
96210 Compensated Absences	\$37,787	\$114,028		\$114,028
96300 Payments in Lieu of Taxes		\$40,420		\$40,420
96400 Bad debt - Tenant Rents		\$133,663		\$133,663
96600 Bad debt - Other				
96000 Total Other General Expenses	\$37,787	\$517,664	\$0	\$517,664
96710 Interest of Mortgage (or Bonds) Payable		\$49,655		\$49,655
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs		\$5,230		\$5,230
96700 Total Interest Expense and Amortization Cost	\$0	\$54,885	\$0	\$54,885

Charleston County Housing and Redevelopment Authority (SC056)
 Charleston, SC
 Entitywide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	Project Total	14.896 PIH Family Self- Sufficiency Program	14.871 Housing Choice Vouchers	1 Business Activities
96900 Total Operating Expenses	\$2,363,397	\$47,487	\$648,164	\$38,097
97000 Excess of Operating Revenue over Operating Expenses	\$621,678	\$0	\$6,995,577	\$55,166
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized	\$16,389			
97300 Housing Assistance Payments			\$6,788,784	
97350 HAP Portability-In			\$139,627	
97400 Depreciation Expense	\$848,481		\$20,014	\$2,282
90000 Total Expenses	\$3,228,267	\$47,487	\$7,596,589	\$40,379
10010 Operating Transfer In	\$252,850			
10020 Operating transfer Out	-\$47,157			-\$205,693
10091 Inter Project Excess Cash Transfer In	\$500,000			
10092 Inter Project Excess Cash Transfer Out	-\$500,000			
10100 Total Other financing Sources (Uses)	\$205,693	\$0	\$0	-\$205,693
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$37,499	\$0	\$47,152	-\$152,809
11020 Required Annual Debt Principal Payments	\$49,221	\$0	\$0	\$0
11030 Beginning Equity	\$4,010,139	\$0	-\$8,425	\$311,658
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0			
11170 Administrative Fee Equity			-\$4,824	
11180 Housing Assistance Payments Equity			\$43,551	
11190 Unit Months Available	4,788	0	12,948	0
11210 Number of Unit Months Leased	4,709	0	12,119	0
11270 Excess Cash	-\$484,850			
11610 Land Purchases	\$0			
11620 Building Purchases	\$559,599			
11630 Furniture & Equipment - Dwelling Purchases	\$9,979			
11640 Furniture & Equipment - Administrative Purchases	\$1,463			
13510 CFFP Debt Service Payments	\$60,572			
13901 Replacement Housing Factor Funds	\$0			

Charleston County Housing and Redevelopment Authority (SC056)
Charleston, SC
Entitywide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	COCC	Subtotal	ELIM	Total
96900 Total Operating Expenses	\$544,936	\$3,642,081	-\$594,360	\$3,047,721
97000 Excess of Operating Revenue over Operating Expenses	\$33,656	\$7,706,077	\$0	\$7,706,077
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized		\$16,389		\$16,389
97300 Housing Assistance Payments		\$6,788,784		\$6,788,784
97350 HAP Portability-In		\$139,627		\$139,627
97400 Depreciation Expense	\$3,959	\$874,736		\$874,736
90000 Total Expenses	\$548,895	\$11,461,617	-\$594,360	\$10,867,257
10010 Operating Transfer In		\$252,850	-\$252,850	\$0
10020 Operating transfer Out		-\$252,850	\$252,850	\$0
10091 Inter Project Excess Cash Transfer In		\$500,000	-\$500,000	\$0
10092 Inter Project Excess Cash Transfer Out		-\$500,000	\$500,000	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$29,697	-\$113,459	\$0	-\$113,459
11020 Required Annual Debt Principal Payments	\$0	\$49,221		\$49,221
11030 Beginning Equity	-\$548,162	\$3,765,210		\$3,765,210
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		\$0		\$0
11170 Administrative Fee Equity		-\$4,824		-\$4,824
11180 Housing Assistance Payments Equity		\$43,551		\$43,551
11190 Unit Months Available	0	17,736		17,736
11210 Number of Unit Months Leased	0	16,828		16,828
11270 Excess Cash		-\$484,850		-\$484,850
11610 Land Purchases	\$0	\$0		\$0
11620 Building Purchases	\$0	\$559,599		\$559,599
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$9,979		\$9,979
11640 Furniture & Equipment - Administrative Purchases	\$0	\$1,463		\$1,463
13510 CFFP Debt Service Payments	\$0	\$60,572		\$60,572
13901 Replacement Housing Factor Funds	\$0	\$0		\$0

Charleston County Housing and Redevelopment Authority (SC056)
Charleston, SC
Project Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	SC056000001	SC056000007	SC056000235	OTHER PROJ	Total
111 Cash - Unrestricted				\$3,571	\$3,571
112 Cash - Restricted - Modernization and Development				\$56,412	\$56,412
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits	\$31,347	\$19,862	\$29,215		\$80,424
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$31,347	\$19,862	\$29,215	\$59,983	\$140,407
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$146,355	\$33,735	\$80,964		\$261,054
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous	\$64,713			\$5,056	\$69,769
126 Accounts Receivable - Tenants	\$8,483	\$1,381	\$91,346		\$101,210
126.1 Allowance for Doubtful Accounts -Tenants	-\$6,821	-\$723	-\$78,047		-\$85,591
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$212,730	\$34,393	\$94,263	\$5,056	\$346,442
142 Prepaid Expenses and Other Assets			\$366		\$366
143 Inventories	\$11,896				\$11,896
143.1 Allowance for Obsolete Inventories	-\$969				-\$969
144 Inter Program Due From	\$300,005	\$286,569			\$586,574
150 Total Current Assets	\$555,009	\$340,824	\$123,844	\$65,039	\$1,084,716
161 Land	\$198,764	\$127,078	\$529,628		\$855,470
162 Buildings	\$10,133,452	\$4,422,793	\$11,248,606		\$25,804,851
163 Furniture, Equipment & Machinery - Dwellings	\$107,261	\$26,338	\$56,510		\$190,109
164 Furniture, Equipment & Machinery - Administration	\$252,699	\$60,077	\$182,859		\$495,635
166 Accumulated Depreciation	-\$8,958,545	-\$4,296,187	-\$8,339,152		-\$21,593,884
167 Construction in Progress					
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,733,631	\$340,099	\$3,678,451	\$0	\$5,752,181
171 Notes, Loans and Mortgages Receivable - Non-Current					
180 Total Non-Current Assets	\$1,733,631	\$340,099	\$3,678,451	\$0	\$5,752,181
200 Deferred Outflow of Resources	\$23,171	\$23,171	\$23,171		\$69,513

Charleston County Housing and Redevelopment Authority (SC056)
Charleston, SC
Project Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	SC056000001	SC056000007	SC056000235	OTHER PROJ	Total
290 Total Assets and Deferred Outflow of Resources	\$2,311,811	\$704,094	\$3,825,466	\$65,039	\$6,906,410
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$44,300	\$20,423	\$34,757		\$99,480
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$3,352	\$1,175	\$8,387	\$47,697	\$60,611
322 Accrued Compensated Absences - Current Portion	\$9,656	\$2,331	\$11,046		\$23,033
325 Accrued Interest Payable					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$31,676	\$37,599	\$11,548		\$80,823
341 Tenant Security Deposits	\$31,347	\$19,862	\$29,215		\$80,424
342 Unearned Revenue	\$4,539	\$37,685	\$7,100		\$49,324
343 Current Portion of Long-term Debt - Capital	\$43,111	\$12,592	\$12,836		\$68,539
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other	\$124,207	\$38,844	\$84,293		\$247,344
347 Inter Program - Due To			\$621,520		\$621,520
348 Loan Liability - Current					
310 Total Current Liabilities	\$292,188	\$170,511	\$820,702	\$47,697	\$1,331,098
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	\$536,962	\$156,551	\$160,162		\$853,675
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current	\$3,766		\$1,270		\$5,036
357 Accrued Pension and OPEB Liabilities	\$244,790	\$244,790	\$244,790		\$734,370
350 Total Non-Current Liabilities	\$785,518	\$401,341	\$406,222	\$0	\$1,593,081
300 Total Liabilities	\$1,077,706	\$571,852	\$1,226,924	\$47,697	\$2,924,179
400 Deferred Inflow of Resources	\$3,197	\$3,197	\$3,197		\$9,591
508.4 Net Investment in Capital Assets	\$1,153,558	\$170,956	\$3,505,453	\$0	\$4,829,967
511.4 Restricted Net Position	\$0	\$0	\$0	\$56,412	\$56,412
512.4 Unrestricted Net Position	\$77,350	-\$41,911	-\$910,108	-\$39,070	-\$913,739
513 Total Equity - Net Assets / Position	\$1,230,908	\$129,045	\$2,595,345	\$17,342	\$3,972,640
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$2,311,811	\$704,094	\$3,825,466	\$65,039	\$6,906,410

Charleston County Housing and Redevelopment Authority (SC056)
Charleston, SC
Project Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	SC056000001	SC056000007	SC056000235	OTHER PROJ	Total
70300 Net Tenant Rental Revenue	\$477,492	\$276,237	\$158,032		\$911,761
70400 Tenant Revenue - Other	\$4,672	\$3,091	\$22,378		\$30,141
70500 Total Tenant Revenue	\$482,164	\$279,328	\$180,410	\$0	\$941,902
70600 HUD PHA Operating Grants	\$563,135	\$254,032	\$656,191		\$1,473,358
70610 Capital Grants	\$516,190	\$14,549	\$33,572		\$564,311
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70700 Total Fee Revenue					
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$3			\$228	\$231
71400 Fraud Recovery					
71500 Other Revenue	\$2,962	\$75	\$1,813	\$328	\$5,178
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted				\$95	\$95
70000 Total Revenue	\$1,564,454	\$547,984	\$871,986	\$651	\$2,985,075
91100 Administrative Salaries	\$73,876	\$40,742	\$87,784		\$202,402
91200 Auditing Fees	\$4,269	\$2,095	\$3,017		\$9,381
91300 Management Fee	\$140,517	\$64,269	\$90,064		\$294,850
91310 Book-keeping Fee	\$13,957	\$9,000	\$12,465		\$35,422
91400 Advertising and Marketing	\$482				\$482
91500 Employee Benefit contributions - Administrative	\$26,322	\$12,199	\$38,941		\$77,462
91600 Office Expenses	\$24,780	\$10,770	\$8,077		\$43,627
91700 Legal Expense	\$910	\$120	\$588		\$1,618
91800 Travel	\$8,084	\$390	\$1,318		\$9,792
91900 Other	\$13,066	\$1,431	\$1,740	\$1	\$16,238
91000 Total Operating - Administrative	\$306,263	\$141,016	\$243,994	\$1	\$691,274
92000 Asset Management Fee		\$12,000			\$12,000
92100 Tenant Services - Salaries					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$1,632	\$1,096			\$2,728
92500 Total Tenant Services	\$1,632	\$1,096	\$0	\$0	\$2,728

Charleston County Housing and Redevelopment Authority (SC056)
Charleston, SC
Project Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	SC056000001	SC056000007	SC056000235	OTHER PROJ	Total
93100 Water	\$87,583	\$46,409	\$5,782		\$139,774
93200 Electricity	\$199,116	\$14,136	\$2,977		\$216,229
93300 Gas	\$4,068	\$795	\$1,171		\$6,034
93600 Sewer					
93000 Total Utilities	\$295,543	\$61,340	\$9,930	\$0	\$366,813
94100 Ordinary Maintenance and Operations - Labor	\$60,079	\$4,902	\$143,864		\$208,845
94200 Ordinary Maintenance and Operations - Materials and	\$44,158	\$27,049	\$47,777		\$118,984
94300 Ordinary Maintenance and Operations Contracts	\$106,149	\$43,605	\$68,124		\$217,878
94500 Employee Benefit Contributions - Ordinary Maintenance	\$41,295	\$23,655	\$55,871		\$120,821
94000 Total Maintenance	\$251,681	\$99,211	\$315,636	\$0	\$666,528
95200 Protective Services - Other Contract Costs	\$24,007				\$24,007
95000 Total Protective Services	\$24,007	\$0	\$0	\$0	\$24,007
96110 Property Insurance	\$28,403	\$27,459	\$16,277		\$72,139
96120 Liability Insurance	\$1,567	\$682	\$1,058		\$3,307
96130 Workmen's Compensation	\$5,341	\$1,711	\$9,827		\$16,879
96140 All Other Insurance	\$1,324	\$1,822	\$1,945		\$5,091
96100 Total insurance Premiums	\$36,635	\$31,674	\$29,107	\$0	\$97,416
96200 Other General Expenses	\$110,201	\$33,735	\$80,964		\$224,900
96210 Compensated Absences	\$14,690	\$5,142	\$28,931		\$48,763
96300 Payments in Lieu of Taxes	\$14,472	\$20,771	\$5,177		\$40,420
96400 Bad debt - Tenant Rents	\$35,122	\$3,199	\$95,342		\$133,663
96600 Bad debt - Other					
96000 Total Other General Expenses	\$174,485	\$62,847	\$210,414	\$0	\$447,746
96710 Interest of Mortgage (or Bonds) Payable	\$31,233	\$9,117	\$9,305		\$49,655
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs	\$3,290	\$960	\$980		\$5,230
96700 Total Interest Expense and Amortization Cost	\$34,523	\$10,077	\$10,285	\$0	\$54,885
96900 Total Operating Expenses	\$1,124,769	\$419,261	\$819,366	\$1	\$2,363,397
97000 Excess of Operating Revenue over Operating Expenses	\$439,685	\$128,723	\$52,620	\$650	\$621,678

Charleston County Housing and Redevelopment Authority (SC056)
Charleston, SC
Project Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	SC056000001	SC056000007	SC056000235	OTHER PROJ	Total
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized	\$13,181	\$3,208			\$16,389
97400 Depreciation Expense	\$302,439	\$70,252	\$475,790		\$848,481
90000 Total Expenses	\$1,440,389	\$492,721	\$1,295,156	\$1	\$3,228,267
10010 Operating Transfer In	\$224,084	\$11,789	\$16,977		\$252,850
10020 Operating transfer Out	-\$18,391	-\$11,789	-\$16,977		-\$47,157
10091 Inter Project Excess Cash Transfer In	\$500,000				\$500,000
10092 Inter Project Excess Cash Transfer Out		-\$500,000			-\$500,000
10100 Total Other financing Sources (Uses)	\$705,693	-\$500,000	\$0	\$0	\$205,693
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$829,758	-\$444,737	-\$423,170	\$650	-\$37,499
11020 Required Annual Debt Principal Payments	\$38,100	\$11,121	\$0	\$0	\$49,221
11030 Beginning Equity	\$401,150	\$573,782	\$3,018,515	\$16,692	\$4,010,139
11040 Prior Period Adjustments, Equity Transfers and Correction	\$0	\$0	\$0		\$0
11170 Administrative Fee Equity					
11180 Housing Assistance Payments Equity					
11190 Unit Months Available	1,872	1,200	1,716	0	4,788
11210 Number of Unit Months Leased	1,861	1,186	1,662	0	4,709
11270 Excess Cash	\$173,256	\$138,946	-\$757,982	-\$39,070	-\$484,850
11610 Land Purchases	\$0	\$0	\$0	\$0	\$0
11620 Building Purchases	\$503,356	\$15,085	\$41,158	\$0	\$559,599
11630 Furniture & Equipment - Dwelling Purchases	\$9,314	\$665	\$0	\$0	\$9,979
11640 Furniture & Equipment - Administrative Purchases	\$1,463	\$0	\$0	\$0	\$1,463
13510 CFFP Debt Service Payments	\$38,100	\$11,121	\$11,351	\$0	\$60,572
13901 Replacement Housing Factor Funds	\$0	\$0	\$0	\$0	\$0

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

Independent Auditor's Report

Board of Commissioners
Charleston County Housing & Redevelopment Authority

We have audited, 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, the financial statements of the business-type activities of Charleston County Housing & Redevelopment Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Charleston County Housing & Redevelopment Authority's basic financial statements, and have issued our report thereon dated January 16, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charleston County Housing & Redevelopment 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 Charleston County Housing & Redevelopment Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Charleston County Housing & Redevelopment 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Charleston County Housing & Redevelopment 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*.

We noted certain matters that we have reported to management of Charleston County Housing & Redevelopment Authority in a separate letter dated January 16, 2017.

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.

A handwritten signature in black ink that reads "Maletta & Company". The signature is stylized and cursive.

Maletta & Company
Certified Public Accountants

Bristol, Connecticut
January 16, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

Board of Commissioners
Charleston County Housing & Redevelopment Authority

Report on Compliance for Each Major Federal Program

We have audited Charleston County Housing & Redevelopment Authority's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Charleston County Housing & Redevelopment Authority's major federal programs for the year ended June 30, 2016. Charleston County Housing & Redevelopment 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 Charleston County Housing & Redevelopment 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 (CFR) 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 Charleston County Housing & Redevelopment 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 Charleston County Housing & Redevelopment Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Charleston County Housing & Redevelopment 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 June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above that are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

Charleston County Housing & Redevelopment Authority's response to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Charleston County Housing & Redevelopment 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 Charleston County Housing & Redevelopment Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 Charleston County Housing & Redevelopment 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001, that we consider to be a significant deficiency.

Charleston County Housing & Redevelopment Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. Charleston County Housing & Redevelopment Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink that reads "Maletta & Company". The signature is written in a cursive, flowing style.

Maletta & Company
Certified Public Accountants

Bristol, Connecticut
January 16, 2017

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Contract / Pass-Through</u>	<u>Federal Expenditures</u>
<i>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</i>			
Direct Programs:			
Low Rent Public Housing	14.850	SC056-00000115D	\$ 535,437
Low Rent Public Housing	14.850	SC056-00000116D	576,540
Total Low Rent Public Housing			<u>1,111,977</u>
 Housing Choice Vouchers	 14.871	 SC056	 7,492,466
 Public Housing Capital Fund Program	 14.872	 SC16P056501-12	 10,406
Public Housing Capital Fund Program	14.872	SC16P056501-13	63,547
Public Housing Capital Fund Program	14.872	SC16P056501-14	145,594
Public Housing Capital Fund Program	14.872	SC16P056501-15	209,521
Public Housing Capital Fund Program	14.872	SC16P056501-16	19,168
Public Housing Capital Fund Program	14.872	SC16E056501-15	477,456
Total Public Housing Capital Fund Program			<u>925,692</u>
 PIH Family Self Sufficiency (FSS)	 14.896	 SC056-FSH604A014	 47,487
Total Expenditures of Federal Awards			<u><u>\$ 9,577,622</u></u>

See the accompanying notes to schedule of expenditures of federal awards.

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Authority under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, change in net positions, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the 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.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The Authority has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – PROGRAM COST

The amounts presented as federal expenditures represent only the federal portion of the actual program costs. Actual program costs, including the Authority's portion, may be more than is shown on the schedule.

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weaknesses identified?	_____	Yes	_____	X	No
Significant deficiencies identified?	_____	Yes	_____	X	None Reported
Noncompliance material to financial statements noted?	_____	Yes	_____	X	No

Federal Awards

Internal control over major programs:

Material weaknesses identified?	_____	Yes	_____	X	No
Significant deficiencies identified?	_____	X	_____	Yes	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)?	_____	X	_____	Yes	No

<u>Identification of major federal programs:</u>	
<u>CFDA Number(s)</u>	<u>Name of federal program or cluster</u>
14.871	Housing Choice Voucher
14.872	Public Housing Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs:	\$	_____	750,000
Auditee qualified as a low-risk auditee?	_____	X	_____
		Yes	No

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016**

II. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None Reported

III. Findings and Questioned Costs for Federal Awards

SIGNIFICANT DEFICIENCY AND MATERIAL NONCOMPLIANCE

**2016-001 Eligibility
Housing Choice Voucher – CFDA# 14.871**

Condition and Criteria:	Income calculations performed during examinations contained errors and documentation obtained to determine annual income was insufficient or incomplete. PHA's are required to determine income eligibility and calculate the tenant's rent payment using sufficient, appropriate documentation in accordance with HUD regulations.
Questioned Cost:	Known questioned costs totaled \$4,345.
Effect or Potential Effect:	Overpayment of Housing Assistance Payments due to incorrect income calculations.
Cause:	Lack of staff adherence to administrative policies and ineffective quality control procedures.
Context:	A sample of 25 files were selected to audit income calculations from a population of 1,060. The test found seven files with some form of income calculation error. Our sample was a statistically valid sample.
Auditor's Recommendation:	We recommend the Authority re-evaluate income documentation procedures used to annualize employment income and monitor HCV staff performance, including increased quality control reviews, to ensure compliance with HUD regulations. Further, management should consider additional staff training on the use and importance of EIV in the certification process and require participants to certify income reported during the certification process.
Management's Response:	Management agrees with the finding and corrective action has been taken as detailed in the Corrective Action Plan.

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**2015-001 Special Tests & Provisions
Housing Choice Vouchers – CFDA#14.871**

Condition: The Authority's Low Rent Housing Program (LRPH) has failed to reimburse the Section 8 program for advances used to support cash flow problems being experienced by the LRPB program. The total amount of \$222,617 has been advanced and is due the HCV Program from LRPB as of June 30, 2015.

Recommendation: The Authority needs to develop a repayment plan to have the LRPB Program reimburse the Section 8 Program for any ineligible inter-fund advances. The Authority should also make sure that management staff is fully aware of HUD's regulatory guidance pertaining to the use of Section 8 funds. Furthermore, the Authority should make sure that Board of Commissioner approval is obtained for any used of "unrestricted" Section 8 funds as defined under the pre-2004 and post-2003 designations established by HUD as they pertain to Section 8 Unrestricted Net Assets (UNA)

Status: Corrective action completed as funds were returned.

**2015-002 Special Tests & Provisions
Housing Choice Vouchers – CFDA#14.871**

Condition: The Authority did not maintain clear and adequate documentation showing that Section 8 applicants who were given Section 8 housing vouchers during the audit period had reached the top of the waiting list and to show why persons ahead of them were passed over and not given vouchers.

Recommendation: The Authority should improve its procedures for documenting the propriety of housing new tenants based on them having priority position on the Waiting List at the time of their selection. In order to support the selection, the Waiting Lists used at the time of selection would need to be retained as evidence that appropriate procedures had been utilized. Moreover, the Authority should consider maintaining adequate documentation in the files of selected tenants.

Status: Corrective action completed.

**CHARLESTON COUNTY HOUSING & REDEVELOPMENT AUTHORITY
SCHEDULE OF PRIOR AUDIT FINDINGS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2016**

**2015-003 Special Tests & Provisions
Housing Choice Vouchers – CFDA#14.871**

Condition: Testing of tenant files revealed that documentation of Rent Reasonableness (RR) was missing or inadequate in 9 out of 25 files reviewed.

Recommendation: The Authority should implement procedures to ensure that accurate and complete information is contained in all tenant files. Furthermore, the Authority should: 1) assure that all occupancy staff is adequately trained and aware of the need to include all data required by the Code of Federal Regulations (CFR), and 2) increase the frequency of periodic audits of randomly selected files conducted internally.

Status: Corrective action complete.