

**LANCASTER CITY HOUSING AUTHORITY**

**FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2016**

**LANCASTER CITY HOUSING AUTHORITY  
TABLE OF CONTENTS  
YEAR ENDED SEPTEMBER 30, 2016**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&amp;A)</b>	<b>4</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>9</b>
<b>STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>	<b>10</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>11</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>12</b>
<b>SUPPLEMENTAL INFORMATION</b>	<b>20</b>
<b>FINANCIAL DATA SCHEDULES:</b>	
<b>ENTITY-WIDE BALANCE SHEET SUMMARY</b>	<b>21</b>
<b>ENTITY-WIDE REVENUE AND EXPENSE SUMMARY</b>	<b>23</b>
<b>PROJECT-WIDE BALANCE SHEET SUMMARY</b>	<b>26</b>
<b>PROJECT-WIDE REVENUE AND EXPENSE SUMMARY</b>	<b>28</b>
<b>STATEMENT AND CERTIFICATION OF PROGRAM COSTS –         CAPITAL FUND PROGRAM</b>	<b>30</b>
<b>SINGLE AUDIT REPORTS</b>	<b>31</b>
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER         FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS         BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN         ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>32</b>
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR         FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER         COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>34</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>36</b>
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>37</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>38</b>

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Lancaster City Housing Authority  
Lancaster, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Lancaster City Housing Authority (the Authority) which comprise the statement of net position as of September 30, 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended and the related notes to the financial statements.

### ***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.

### ***Auditors' Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2016, and the changes in financial position and cash flows 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 4 through 8 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 the Authority's basic financial statements. The financial data schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for the purpose of additional analysis, and is not a required part of the basic financial statements.

The financial data schedules, schedule of expenditures of federal awards, and statements of certification of actual modernization cost certificate are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 February 22, 2017 on our consideration of the 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 result of that testing, and not to provide an opinion on

Board of Directors  
Lancaster City Housing Authority

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
February 22, 2017

**LANCASTER CITY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

The mission of the Lancaster City Housing Authority (the Authority) is to improve the quality of life consistent with local, commonwealth, and federal statutes by providing decent, safe, and sanitary housing for low and moderate income individuals and families, retired persons, and the handicapped; recognizing the residents as our ultimate customer; fostering an increased supply of quality housing affordable to low and moderate income residents throughout Lancaster County; fostering development, ownership, and successful management of housing; taking a comprehensive approach that goes beyond bricks and mortar, to build links to social service and economic development organizations, and to assist neighborhood residents and community organizations in creating successful neighborhoods; administering rental assistance and related programs which allow people to afford and access the widest range of housing opportunities; providing support and referral services which enable families and individuals to comprehensively address their housing and social service needs and to become increasingly self-sufficient.

As management of the Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

**Financial Highlights**

- The assets of the Authority exceeded its liabilities as of September 30, 2016 by \$9,199,962 (net position).
- The Authority's unrestricted cash balance as of September 30, 2016 was \$2,819,586, representing a decrease of \$256,742 from the prior year.
- The Authority had \$1,758,062 in tenant revenue, \$8,101,278 in HUD PHA Operating Grants, and \$304,251 of HUD Capital Grants for the year ended September 30, 2016.

**Overview of the Financial Statements**

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

- Statement of Net Position - reports the Authority's current financial resources (short-term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Change in Net Position - reports the Authority's operating and non-operating revenues by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows - reports cash flows from operating, financing, and investing activities.

**LANCASTER CITY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

The attached analysis of net position, revenues, and expenses is provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned and incurred regardless of when cash is received or paid.

Our analysis also presents the Authority's net position and changes therein. You can think of the Authority's net position as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The change in net position analysis will assist the reader with measuring the health or financial position of the Authority.

Over time, significant changes in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD-mandated program administrative changes, and the physical condition of the Authority's capital assets.

**Statements of Net Position**

	2016	2015	Total Change	% Change
<b>Assets</b>				
Cash and Cash Equivalents	\$ 3,275,955	\$ 3,473,303	\$ (197,348)	(5.68)%
Other Current Assets	214,222	327,535	(113,313)	(34.60)%
Long-Term Receivable	31,960	31,473	487	1.55%
Capital Assets	6,628,962	7,114,436	(485,474)	(6.82)%
Total Assets	<u>\$ 10,151,099</u>	<u>\$ 10,946,747</u>	<u>\$ (795,648)</u>	<u>(7.27)%</u>
<b>Liabilities</b>				
Current Liabilities	\$ 423,285	\$ 696,337	\$ (273,052)	(39.21)%
Noncurrent Liabilities	527,852	489,028	38,824	7.94%
Total Liabilities	<u>951,137</u>	<u>1,185,365</u>	<u>(234,228)</u>	<u>(19.76)%</u>
<b>Net Position</b>				
Net Investment in Capital Assets	6,628,962	6,962,476	(333,514)	(4.79)%
Restricted Net Position	115,656	64,538	51,118	79.21%
Unrestricted Net Position	2,455,344	2,734,368	(279,024)	(10.20)%
Total Net Position	<u>9,199,962</u>	<u>9,761,382</u>	<u>(561,420)</u>	<u>(5.75)%</u>
Total Liabilities and Net Position	<u>\$ 10,151,099</u>	<u>\$ 10,946,747</u>	<u>\$ (795,648)</u>	<u>(7.27)%</u>

**Analysis of Net Position**

Total Assets for the years ended September 30, 2016 and 2015, were \$10,151,099 and \$10,946,747, respectively. This represents a net decrease of \$795,648 over the prior year.

Current Assets decreased by \$310,661 from the prior year. This decrease is primarily due to approximately \$116,376 of accrued CFP funds in the prior year, compared to zero in the current year. Unrestricted cash decreased \$256,742 as a result of performing additional planned maintenance work (such as painting stairwells and common areas) at the AMPs.

**LANCASTER CITY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

Net Capital Assets decreased by \$485,474 from the prior year due to current year depreciation expense as well as the disposition of three vehicles.

	2016	2015	Total Change	% Change
Land	\$ 350,012	\$ 350,012	\$ -	0.00%
Infrastructure	580,304	580,304	-	0.00%
Buildings and Improvements	39,614,177	39,309,927	304,250	0.77%
Furniture, Equipment, and Machinery	764,951	754,555	10,396	1.38%
	<u>41,309,444</u>	<u>40,994,798</u>	<u>314,646</u>	<u>0.77%</u>
Less: Accumulated Depreciation	<u>(34,680,482)</u>	<u>(33,880,362)</u>	<u>(800,120)</u>	<u>2.36%</u>
 Net Capital Assets	 <u>\$ 6,628,962</u>	 <u>\$ 7,114,436</u>	 <u>\$ (485,474)</u>	 <u>-6.82%</u>

Current liabilities decreased \$273,052 for the year ended September 30, 2016. This decrease is the result of a decrease in year-end payables and accruals. Also, accrued wages and taxes decreased \$62,212 as the prior year included an entire pay period; whereas, 2016 did not.

**Statement of Revenues, Expenses, and Change in Net Position**

	2016	2015	Total Change	% Change
<b>Revenues</b>				
Tenant Revenue	\$ 1,758,062	\$ 1,699,776	\$ 58,286	3.43%
HUD PHA Grants	8,101,278	7,953,034	148,244	1.86%
Capital Grants	304,251	685,468	(381,217)	(55.61)%
Investment Income	75	68	7	10.29%
Gain on Sale of Fixed Assets	1,100	1,960	(860)	(43.88)%
Other Income	417,696	393,743	23,953	6.08%
Total Revenues	<u>10,582,462</u>	<u>10,734,049</u>	<u>(151,587)</u>	<u>(1.41)%</u>
<b>Expenses</b>				
Administrative	1,691,574	1,620,728	70,846	4.37%
Tenant Services	87,908	88,045	(137)	(0.16)%
Utilities	586,088	635,959	(49,871)	(7.84)%
Maintenance and Operations	1,663,604	1,534,414	129,190	8.42%
General Expenses	375,927	388,066	(12,139)	(3.13)%
Housing Assistance Payments	5,908,875	5,937,953	(29,078)	(0.49)%
Depreciation Expense	829,906	827,101	2,805	0.34%
Total Expenses	<u>11,143,882</u>	<u>11,032,266</u>	<u>111,616</u>	<u>1.01%</u>
Change in Net Position	<u>(561,420)</u>	<u>(298,217)</u>	<u>(263,203)</u>	<u>88.26%</u>
Beginning Net Position	<u>9,761,382</u>	<u>10,059,599</u>	<u>(298,217)</u>	<u>(2.96)%</u>
<b>Ending Net Position</b>	<b><u>\$ 9,199,962</u></b>	<b><u>\$ 9,761,382</u></b>	<b><u>\$ (561,420)</u></b>	<b><u>(5.75)%</u></b>



**LANCASTER CITY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

**Analysis of Revenues**

Total Revenues for the years ended September 30, 2016 and 2015 were \$10,582,462 and \$10,734,049, respectively. The Authority administers the following programs and the revenues generated from these programs for the year ended September 30, 2016 as follows:

Central Office Cost Center	\$ 41,332
Low Rent Public Housing (AMPs)	3,846,530
Section 8 Housing Choice Voucher	6,565,232
Section 8 Moderate Rehabilitation SRO	42,812
Business Activities	25
Family Self-Sufficiency	48,430
Shelter Plus Care	38,101
Total Revenues	<u>\$ 10,582,462</u>

Total Tenant Revenue increased by \$58,286 from the previous fiscal year as a result of leasing to higher income tenants.

HUD PHA Grants increased \$148,244 in 2016 due to greater HCV Housing Assistance Payments (HAP) funds earned as a result of an increase in the number of vouchers leased and Administrative fees earned increased as the funding proration was higher than the previous fiscal year.

Capital Grants decreased \$381,217 for the year ended September 30, 2016 due to there being less CFP activity in the current year, as most prior year projects were completed before the start of fiscal year 2016.

**Analysis of Expenses**

Total Expenses increased by \$111,616 for the year ended September 30, 2016 as compared to the year ended September 30, 2015.

Administrative expenses increased \$70,846 in 2016 due to an increase in legal expenses from unexpected tenant eviction cases; as well as, an increase in salaries and benefits paid due to the hiring of a new position during the fiscal year.

Maintenance and operation expenditures increased by \$129,190, due primarily to an increase in labor costs for overtime during the winter months and additional maintenance contracts were incurred for non-cyclical work items.

Housing Assistance Payments (HAP) decreased by \$29,078 primarily because of a decrease in the number of port-in families administered.

**LANCASTER CITY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

**Economic Factors and Next Year's Budgets**

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2017:

1. The uncertainty of a reduction of HUD funded subsidies.
2. The funding of the Housing Choice Voucher program for 2017 is essentially based on 2016 HAP Expense reported in the Voucher Management System. The Authority anticipates being able to house an average of approximately 905 families based on appropriated Housing Assistance Payment funding plus HAP Reserves.
3. The Authority continues to take steps and measures to keep costs under control and will utilize the Capital Fund grants to supplement operations. In the event of extraordinary and other unanticipated costs, the Authority's Unrestricted Net Position is currently sufficient to cover any shortfall.

**Contacting the Authority's Financial Management**

This financial report is designed to provide investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or to request additional information, please contact Robert C. Schellhamer, Executive Director, at Lancaster City Housing Authority, 325 Church St., Lancaster, PA 17602 or (717) 397-2835.

**LANCASTER CITY HOUSING AUTHORITY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents - Unrestricted	\$ 2,819,586
Cash and Cash Equivalents - Restricted	456,369
Accounts Receivable, Net	32,971
Prepaid Expenses	106,021
Inventories	75,230
Total Current Assets	3,490,177

**NONCURRENT ASSETS**

Capital Assets, Net	6,628,962
Other Assets	31,960
Total Noncurrent Assets	6,660,922

Total Assets	\$ 10,151,099
--------------	---------------

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable	\$ 30,774
Accrued Wages / Payroll Taxes	75,983
Accounts Payable - HUD	9,962
Accounts Payable - Other Government	110,776
Accrued Liabilities	10,323
Tenant Security Deposits	183,611
Unearned Revenues	1,856
Total Current Liabilities	423,285

**NONCURRENT LIABILITIES**

Accrued Compensated Absences	370,750
Other Noncurrent Liabilities	157,102
Total Noncurrent Liabilities	527,852

Total Liabilities	951,137
-------------------	---------

**NET POSITION**

Net Investment in Capital Assets	6,628,962
Restricted	115,656
Unrestricted	2,455,344
Total Net Position	9,199,962

Total Liabilities and Net Position	\$ 10,151,099
------------------------------------	---------------

**LANCASTER CITY HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED SEPTEMBER 30, 2016**

**OPERATING REVENUES**

Tenant Dwelling Rental	\$ 1,678,925
Other Tenant Rental	79,137
Total Tenant Income	1,758,062
HUD Grants - Noncapital	8,101,278
Other Income	417,696
Total Operating Revenues	10,277,036

**OPERATING EXPENSES**

Administrative	1,691,574
Tenant Services	87,908
Utilities	586,088
Maintenance and Operations	1,637,404
General Expense	375,927
Housing Assistance and Portability Payments	5,908,875
Depreciation Expense	829,906
Total Operating Expenses	11,117,682

Net Loss From Operations	(840,646)
--------------------------	-----------

**NONOPERATING REVENUES (EXPENSES)**

Gain on Sale of Capital Assets	1,100
Investment Income	75
Extraordinary Maintenance	(26,200)
Total Nonoperating Revenues (Expenses)	(25,025)

Net Loss Before Capital Contributions	(865,671)
---------------------------------------	-----------

HUD Grants - Capital	304,251
----------------------	---------

<b>DECREASE IN NET POSITION</b>	(561,420)
---------------------------------	-----------

Net Position - Beginning of Year	9,761,382
----------------------------------	-----------

<b>NET POSITION - END OF YEAR</b>	\$ 9,199,962
-----------------------------------	--------------

**LANCASTER CITY HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts From Customers and Users	\$ 1,864,402
Governmental Grants and Subsidiary - Operations	8,101,278
Cash Received From Other Sources	417,696
Payments to Suppliers for Operations	(619,334)
Payments for Housing Operations and Tenant Services	(1,469,767)
Housing Assistance Payments	(5,908,875)
Payments to Employees	(2,517,542)
Net Cash Used by Operating Activities	<u>(132,142)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	<u>75</u>
-------------------	-----------

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

Grant Revenue - Capital Grants	304,251
Extraordinary Maintenance	(26,200)
Acquisition of Capital Assets	<u>(344,432)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(66,381)</u>

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

Proceeds from Sale of Asset	<u>1,100</u>
-----------------------------	--------------

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(197,348)

Cash and Cash Equivalents - Beginning of Year

3,473,303

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 3,275,955

**REPORTED AS:**

Cash and Cash Equivalents - Unrestricted	\$ 2,819,586
Cash and Cash Equivalents - Restricted	456,369
Total Cash - End of Year	<u><u>\$ 3,275,955</u></u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES**

Net Loss From Operations	\$ (840,646)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	829,906
Bad Debt Expense (Tenants)	16,340
Effects of Changes in Operating Assets and Liabilities:	
Accounts Receivable	86,866
Prepaid Expenses	5,487
Inventories	4,133
Accounts Payable	(167,517)
Accrued Wages / Payroll Taxes	(62,212)
Accrued Liabilities	(38,047)
Unearned Revenue	505
Compensated Absences	28,270
Tenant Security Deposits	3,134
Other Current Liabilities	(3,503)
Other Noncurrent Liabilities	5,142
Net Cash Used by Operating Activities	<u><u>\$ (132,142)</u></u>

See accompanying Notes to Financial Statement

**LANCASTER CITY HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Introduction**

The Lancaster City Housing Authority (the Authority) was established for the purpose of engaging in the development, acquisition, and administrative activities of low-income housing programs and other programs with similar objectives.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to provide funding to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing programs.

**Reporting Entity**

Consistent with guidance contained in generally accepted accounting standards promulgated by the Governmental Accounting Standards Board (GASB), the criteria used by the Authority to evaluate the possible inclusion of related entities (authorities, boards, councils, and so forth) within its reporting entity, are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Authority reviews the applicability of the following criteria:

The Authority is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if Authority officials appoint a voting majority of the organization's governing body and the Authority is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Authority as defined below.

*Imposition of Will* - If the Authority can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

*Financial Benefit or Burden* - If the Authority (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

3. Organizations which are fiscally dependent on the Authority. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the Authority.

Based on the foregoing criteria, no additional entities are included in the accompanying basic financial statements.

**LANCASTER CITY HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity (Continued)**

A summary of each of the programs administered by the Authority included in the financial statements is provided below to assist the reader in interpreting the financial statements. These programs constitute all programs subsidized by HUD and operated by the Authority.

**Public Housing Agency Owned Housing Program**

The public housing agency owned housing program is designed to provide low-cost housing within the city of Lancaster. Funding is provided by subsidies from HUD as well as from monthly rents charged to eligible residents based on family size, family income, and other determinants. On the financial data schedule, this program is recorded on the asset management project level.

**Public Housing Capital Fund Program**

The public housing capital fund program utilizes grants from HUD for capital and management activities, including modernization and development of public housing. On the financial data schedule, this program is combined with the operating fund at the asset management project level.

**Section 8 Moderate Rehabilitation Single Room Occupancy**

The section 8 moderate rehabilitation single room occupancy program provides rental assistance to homeless individuals. Under the program, HUD enters into annual contributions contracts with public housing agencies in connection with the moderate rehabilitation of residential properties that, when rehabilitation is completed, will contain multiple single room dwelling units.

**Shelter Plus Care Program**

The shelter plus care program aims to provide rental assistance to homeless persons with disabilities and their families.

**Housing Choice Voucher Program**

The Authority administers programs of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contributed by a participating family. Funding for this program is provided by grants from HUD.

**Business Activities Program**

This program accounts for amounts allocated from state grant programs and excess operating reserves from Section 8 in prior years.

**Family Self-Sufficiency Program**

The family self-sufficiency program promotes and provides resources to families, increases earned income and financial literacy, reduces or eliminates the need for welfare assistance, and makes progress toward economic independence and self-sufficiency.

**LANCASTER CITY HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity (Continued)**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenses reported in the financial statements. The accounting and reporting treatment applied is determined by the measurement focus.

The Authority operates as a proprietary fund type (enterprise fund) and measures and reports all assets, liabilities, revenues, expenses, gains, and losses using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are tenant income, HUD grants, and other operating income. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, includes grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which resources are provided to the Authority on a reimbursement basis.

**Budgets**

Budgets are not legally adopted or legally required for financial statement preparation.

**Use of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Authority considers all certificates of deposit and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.



**LANCASTER CITY HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventory**

The Authority's inventory is comprised of maintenance materials and supplies. Inventory is valued at cost and the Authority uses the first-in/first-out (FIFO) flow assumption in determining cost. The consumption method is used to record inventory. Under this method, the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expenditures when used.

**Prepaid Assets**

Payments made to vendors for services that will benefit periods beyond September 30, 2016, are recorded as prepaid items.

**Interprogram Receivables and Payables**

Interprogram receivables and payables arise from interprogram transactions and are recorded by all programs affected in the period in which transactions are executed. The interprogram receivables and payables have been eliminated in the preparation of the basic financial statements.

**Net Position**

Generally accepted accounting principles require the classification of net position into three components as described below:

- *Net Investment in Capital Assets*: This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted Net Position*— This component of net position consists of restricted assets when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
- *Unrestricted Net Position*— This component consists of net position that does not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position."

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

**Capital Assets and Depreciation**

The Authority's property, plant, and equipment with useful lives of more than one year are stated at historical cost (or estimated historical cost) and comprehensively reported in the basic financial statements. Donated assets are stated at fair value on the date donated. The Authority generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Estimated historical costs of capital assets

**LANCASTER CITY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets and Depreciation (Continued)**

were derived, when information supporting historical costs was not obtainable, by adjusting current replacement cost back to the estimated year of acquisition. Estimated useful lives, in years, for depreciable assets are generally as follows:

Infrastructure	20 years
Buildings and Improvements	15 – 40 years
Furniture, Equipment, and Machinery	3 – 10 years

**Compensated Absences**

The Authority accrues vacation and sick leave as a liability as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through time off or some other means. Additional amounts are accrued for salary-related payments associated with the payment of compensated absences using rates in effect at the balance sheet date. The Authority has accrued the employer's share of social security, Medicare taxes, and pension costs.

**New Accounting Pronouncements**

In fiscal year 2016, the Authority implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**NOTE 2 CASH AND CASH EQUIVALENTS**

*Custodial Credit Risk* - For deposits, custodial credit risk is the risk that, in the event of the failure of the bank, the Authority's deposits may not be returned to it.

At September 30, 2016, cash and cash equivalents consisted of deposits with financial institutions that were fully insured by FDIC insurance and/or collateralized by securities held by third party in the name of the Authority. The Authority's deposits had a carrying amount of \$3,275,955 and bank balances of \$3,340,099 at September 30, 2016.

**NOTE 3 ACCOUNTS RECEIVABLE**

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

Tenant Receivable, Less Allowance for Doubtful Accounts of \$6,570	\$	7,134
Accounts Receivable - HUD		8,483
Accounts Receivable - Other Government		979
Accounts Receivable - Other		5,341
Accounts Receivable - Fraud Recovery, Less Allowance for Doubtful Accounts of \$36,216		11,034
Net Accounts Receivable	\$	32,971

**LANCASTER CITY HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 4 LONG-TERM RECEIVABLE – FRAUD RECOVERY**

The Authority has receivables from tenants who committed fraud or misrepresented information and as a result now owe additional rent for prior periods or retroactive rent. As of September 30, 2016, the long-term portion of these receivables was \$31,960 and the current portion, which is included in accounts receivable, was \$47,250. Allowance for doubtful accounts of \$36,216 offsets the current portion.

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
Historical Cost:				
Capital Assets not Being Depreciated:				
Land	\$ 350,012	\$ -	\$ -	\$ 350,012
Capital Assets Being Depreciated:				
Infrastructure	580,304	-	-	580,304
Buildings and Improvements	39,309,927	304,250	-	39,614,177
Furniture, Equipment, and Machinery	754,555	40,182	(29,786)	764,951
Total Cost	<u>40,644,786</u>	<u>344,432</u>	<u>(29,786)</u>	<u>40,959,432</u>
Accumulated Depreciation:				
Infrastructure	336,794	29,704	-	366,498
Buildings and Improvements	32,989,163	761,970	-	33,751,133
Furniture, Equipment, and Machinery	554,405	38,232	(29,786)	562,851
Total Accumulated Depreciation	<u>33,880,362</u>	<u>829,906</u>	<u>(29,786)</u>	<u>34,680,482</u>
Net Capital Assets Being Depreciated	<u>6,764,424</u>	<u>(485,474)</u>	<u>-</u>	<u>6,278,950</u>
Net Capital Assets	<u>\$ 7,114,436</u>	<u>\$ (485,474)</u>	<u>\$ -</u>	<u>\$ 6,628,962</u>

**NOTE 6 COMPENSATED ABSENCES**

A summary of total compensated absences as of September 30, 2016, is as follows:

Balance October 1, 2015	Additions	Used	Balance September 30, 2016	Current Portion
\$ 342,480	\$ 155,704	\$ 127,434	\$ 370,750	\$ -

**LANCASTER CITY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 7 PENSION PLAN**

The Authority sponsors a money purchase pension plan for eligible employees. To be eligible, an employee must have attained age 20 and completed one year of service with the employer. There are no restrictions based on classification of employees and participation in the plan is optional by the employee. The Authority contributes and allocates to the account of each eligible participant 12% of such participant's compensation in that plan year up to the maximum contribution allowed by the IRS. The Authority's contribution and any changes to the contribution or the plan are approved by the Board. All contributions to the plan are held in trust for the exclusive benefit of participating employees. The employer contributions that are made to the plan are credited to separate accounts established in each participant's name. The total contribution and benefits paid to participants for the fiscal year ended September 30, 2016, were \$195,589 and \$69,782, respectively. Each participant shall acquire a vested and nonforfeitable percentage in his or her account balance attributable to employer contributions and the earnings thereon based on the following vesting schedule:

Years of Service	Vesting Percentage
1	20%
2	40%
3	60%
4	80%
5 and after	100%

All employees who attain age 62 become fully vested.

**NOTE 8 DEFERRED COMPENSATION PLAN**

The Authority offers its employees a 457 deferred compensation plan administered by a third party administrator. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employee or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. All plan assets are recorded at fair value at September 30, 2016.

The following is a summary of the activity in the plan for the year ended September 30, 2016:

Plan Assets (At Market) - October 1, 2015	\$ 1,051,302
Employee Contributions	97,275
Investment Gain, Net of Fees	125,690
Benefits Paid	(16,155)
Plan Assets (At Market) - September 30, 2016	\$ 1,258,112

**LANCASTER CITY HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 9 RISK MANAGEMENT**

The Authority has purchased insurance to cover various risks of loss related to workers' compensation, employee health, property and liability, and errors and omissions. Settlements resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years and there has been no significant reduction in insurance coverage from the prior year.

**NOTE 10 CONTINGENT LIABILITIES**

**Grant Programs**

Amounts received or receivable from grantor agencies are subject to audit adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

**NOTE 11 ECONOMIC DEPENDENCY**

Both the PHA owned housing program and the Section 8 program are economically dependent on annual contributions and grants from HUD. Both programs operated at a loss prior to receiving the contributions and grants.

**SUPPLEMENTAL INFORMATION**

**LANCASTER CITY HOUSING AUTHORITY  
ENTITY-WIDE BALANCE SHEET SUMMARY  
SEPTEMBER 30, 2016**

Line Item #	Accounts Description	Low-Rent Public Hsg 14.850	Housing Choice Vouchers 14.871	Business Activities	Shelter Plus Care 14.238	Moderate Rehab 14.856	Family Self-Sufficiency Program 14.896	Central Office Cost Center	Elimination	Total
<b>ASSETS</b>										
<b>CURRENT ASSETS</b>										
Cash:										
111	Unrestricted	\$ 2,038,608	\$ 338,356	\$ 335,265	\$ -	\$ -	\$ -	\$ 107,357	\$ -	\$ 2,819,586
113	Other restricted	64,571	208,187	-	-	-	-	-	-	272,758
114	Tenant security deposits	183,611	-	-	-	-	-	-	-	183,611
	Total cash	<u>2,286,790</u>	<u>546,543</u>	<u>335,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,357</u>	<u>-</u>	<u>3,275,955</u>
Accounts and notes receivable:										
122	Accounts receivable - HUD	3,296	-	-	2,312.0	-	2,875	-	-	8,483
124	Accounts receivable - other government	-	-	-	-	-	-	979	-	979
125	Accounts receivable - miscellaneous	5,341	-	-	-	-	-	-	-	5,341
126	Accounts receivable - tenants rents	13,704	-	-	-	-	-	-	-	13,704
126.1	Allowance for doubtful accounts - tenants	(6,570)	-	-	-	-	-	-	-	(6,570)
128	Accounts receivable - fraud recovery	-	47,250	-	-	-	-	-	-	47,250
128.1	Allowance for doubtful accounts - fraud	-	(36,216)	-	-	-	-	-	-	(36,216)
	Total receivables, net	<u>15,771</u>	<u>11,034</u>	<u>-</u>	<u>2,312</u>	<u>-</u>	<u>2,875</u>	<u>979</u>	<u>-</u>	<u>32,971</u>
142	Prepaid expenses and other assets	-	-	-	-	-	-	106,021	-	106,021
143	Inventories	-	-	-	-	-	-	94,037	-	94,037
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	(18,807)	-	(18,807)
144	Interprogram due from	-	-	-	-	9,399	-	-	(9,399)	-
	Total current investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,399</u>	<u>-</u>	<u>181,251</u>	<u>(9,399)</u>	<u>181,251</u>
	Total current assets	<u>2,302,561</u>	<u>557,577</u>	<u>335,265</u>	<u>2,312</u>	<u>9,399</u>	<u>2,875</u>	<u>289,587</u>	<u>(9,399)</u>	<u>3,490,177</u>
<b>NONCURRENT ASSETS</b>										
Capital assets:										
161	Land	350,012	-	-	-	-	-	-	-	350,012
162	Buildings	39,614,177	-	-	-	-	-	-	-	39,614,177
164	Furniture and equipment	398,508	59,613	-	-	-	-	306,830	-	764,951
166	Accumulated depreciation	(34,387,602)	(37,613)	-	-	-	-	(255,267)	-	(34,680,482)
168	Infrastructure	580,304	-	-	-	-	-	-	-	580,304
	Total capital assets, net	<u>6,555,399</u>	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,563</u>	<u>-</u>	<u>6,628,962</u>
174	Other assets	-	31,960	-	-	-	-	-	-	31,960
	Total noncurrent assets	<u>6,555,399</u>	<u>53,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,563</u>	<u>-</u>	<u>6,660,922</u>
	<b>TOTAL ASSETS</b>	<u>\$ 8,857,960</u>	<u>\$ 611,537</u>	<u>\$ 335,265</u>	<u>\$ 2,312</u>	<u>\$ 9,399</u>	<u>\$ 2,875</u>	<u>\$ 341,150</u>	<u>\$ (9,399)</u>	<u>\$ 10,151,099</u>

**LANCASTER CITY HOUSING AUTHORITY  
ENTITY-WIDE BALANCE SHEET SUMMARY  
SEPTEMBER 30, 2016**

Line Item #	Accounts Description	Low-Rent Public Hsg 14.850	Housing Choice Vouchers 14.871	Business Activities	Shelter Plus Care 14.238	Moderate Rehab 14.856	Family Self- Sufficiency Program 14.896	Central Office Cost Center	Elimination	Total
<b>LIABILITIES AND NET ASSETS</b>										
<b>CURRENT LIABILITIES</b>										
312	Accounts payable < 90 days	\$ 28,555	\$ 118	\$ -	\$ -	\$ -	\$ -	\$ 2,101	\$ -	\$ 30,774
321	Accrued salaries/payroll withholding	27,917	7,243	-	-	-	-	40,823	-	75,983
331	Accounts payable - HUD PHA programs	-	817	-	-	9,145	-	-	-	9,962
333	Accounts payable - other gov.	110,776	-	-	-	-	-	-	-	110,776
341	Tenant security deposits	183,611	-	-	-	-	-	-	-	183,611
342	Unearned revenue	1,856	-	-	-	-	-	-	-	1,856
346	Accrued liabilities - other	5,341	4,728	-	-	254	-	-	-	10,323
347	Interprogram (due to)	3,296	-	-	2,312	-	2,875	916	(9,399)	-
	Total current liabilities	<u>361,352</u>	<u>12,906</u>	<u>-</u>	<u>2,312</u>	<u>9,399</u>	<u>2,875</u>	<u>43,840</u>	<u>(9,399)</u>	<u>423,285</u>
<b>NONCURRENT LIABILITIES</b>										
353	Noncurrent liabilities - other	-	157,102	-	-	-	-	-	-	157,102
354	Accrued comp. absences - long term	210,056	47,046	-	-	-	-	113,648	-	370,750
	Total noncurrent liabilities	<u>210,056</u>	<u>204,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,648</u>	<u>-</u>	<u>527,852</u>
	Total liabilities	<u>571,408</u>	<u>217,054</u>	<u>-</u>	<u>2,312</u>	<u>9,399</u>	<u>2,875</u>	<u>157,488</u>	<u>(9,399)</u>	<u>951,137</u>
<b>NET POSITION</b>										
508.4	Invested in capital assets, net of related debt	6,555,399	22,000	-	-	-	-	51,563	-	6,628,962
511.4	Restricted net position	64,571	51,085	-	-	-	-	-	-	115,656
512.4	Unrestricted net position	1,666,582	321,398	335,265	-	-	-	132,099	-	2,455,344
	Total net position	<u>8,286,552</u>	<u>394,483</u>	<u>335,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,662</u>	<u>-</u>	<u>9,199,962</u>
	<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 8,857,960</u>	<u>\$ 611,537</u>	<u>\$ 335,265</u>	<u>\$ 2,312</u>	<u>\$ 9,399</u>	<u>\$ 2,875</u>	<u>\$ 341,150</u>	<u>\$ (9,399)</u>	<u>\$ 10,151,099</u>



**LANCASTER CITY HOUSING AUTHORITY**  
**ENTITY-WIDE REVENUE AND EXPENSE SUMMARY**  
**YEAR ENDED SEPTEMBER 30, 2016**

Line Item #	Accounts Description	Low-Rent Public Hsg 14.850	Housing Choice Vouchers 14.871	Business Activities	Shelter Plus Care 14.238	Moderate Rehab 14.856	Family Self-Sufficiency Program 14.896	Central Office Cost Center	Elimination	Total
<b>REVENUE</b>										
70300	Net tenant rental revenue	\$ 1,678,925	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,678,925
70400	Tenant revenue - other	79,137	-	-	-	-	-	-	-	79,137
70500	Total tenant revenue	<u>1,758,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,758,062</u>
70600	HUD PHA operating grants	1,663,149	6,308,786	-	38,101	42,812	48,430	-	-	8,101,278
70610	Capital grants	304,251	-	-	-	-	-	-	-	304,251
70710	Management fee	-	-	-	-	-	-	549,076	(549,076)	-
70720	Asset management fee	-	-	-	-	-	-	67,680	(67,680)	-
70730	Bookkeeping fee	-	-	-	-	-	-	128,729	(128,729)	-
70740	Front line service fee	-	-	-	-	-	-	10,436	(10,436)	-
70750	Other fees	-	-	-	-	-	-	3,329	-	3,329
71100	Investment income - unrestricted	15	2	25	-	-	-	-	-	42
71400	Fraud recovery	-	16,980	-	-	-	-	-	-	16,980
71500	Other revenue	119,920	239,464	-	-	-	-	38,003	-	397,387
71600	Gain or loss on the sale of fixed assets	1,100	-	-	-	-	-	-	-	1,100
72000	Investment income - restricted	33	-	-	-	-	-	-	-	33
	Total revenue	<u>3,846,530</u>	<u>6,565,232</u>	<u>25</u>	<u>38,101</u>	<u>42,812</u>	<u>48,430</u>	<u>797,253</u>	<u>(755,921)</u>	<u>10,582,462</u>
<b>EXPENSES</b>										
Administrative:										
91100	Administrative salaries	270,039	238,492	-	-	7,343	32,287	417,785	-	965,946
91200	Auditing fees	14,246	3,570	-	-	300	-	3,483	-	21,599
91300	Management fee	419,835	129,241	-	-	-	-	-	(549,076)	-
91310	Bookkeeping fee	49,964	78,765	-	-	-	-	-	(128,729)	-
91400	Advertising and marketing	590	392	-	-	-	-	576	-	1,558
91500	Employee benefit contributions - administrative	114,951	119,412	-	-	3,304	16,143	183,801	-	437,611
91600	Office expenses	43,384	35,163	-	-	-	-	43,126	-	121,673
91700	Legal expense	12,531	71	-	-	-	-	8,281	-	20,883
91800	Travel	5,300	1,690	-	-	-	-	12,611	-	19,601
91900	Other	49,743	14,795	-	1,017	-	-	47,584	(10,436)	102,703
	Total administrative	<u>980,583</u>	<u>621,591</u>	<u>-</u>	<u>1,017</u>	<u>10,947</u>	<u>48,430</u>	<u>717,247</u>	<u>(688,241)</u>	<u>1,691,574</u>
92000	Asset management fee	67,680	-	-	-	-	-	-	(67,680)	-
Tenant services:										
92100	Salaries	60,001	-	-	-	-	-	-	-	60,001
92300	Employee benefit contributions	27,907	-	-	-	-	-	-	-	27,907
	Total tenant services	<u>87,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,908</u>

**LANCASTER CITY HOUSING AUTHORITY  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED SEPTEMBER 30, 2016**

Line Item #	Accounts Description	Low-Rent Public Hsg 14.850	Housing Choice Vouchers 14.871	Business Activities	Shelter Plus Care 14.238	Moderate Rehab 14.856	Family Self- Sufficiency Program 14.896	Central Office Cost Center	Elimination	Total
<b>EXPENSES (Continued)</b>										
Utilities:										
93100	Water	\$ 271,383	\$ 738	\$ -	\$ -	\$ -	\$ -	\$ 982	\$ -	\$ 273,103
93200	Electricity	161,394	3,340	-	-	-	-	6,690	-	171,424
93300	Gas	125,934	1,036	-	-	-	-	2,075	-	129,045
93800	Other utilities expense	12,451	28	-	-	-	-	37	-	12,516
	Total utilities	<u>571,162</u>	<u>5,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,784</u>	<u>-</u>	<u>586,088</u>
Ordinary maintenance & operations:										
94100	Labor	675,582	-	-	-	-	-	-	-	675,582
94200	Materials and other	215,297	408	-	-	-	-	28,247	-	243,952
94300	Contracts	386,526	4,124	-	-	-	-	22,236	-	412,886
94500	Employee benefits contribution	288,283	-	-	-	-	-	-	-	288,283
	Total ordinary maintenance & operations	<u>1,565,688</u>	<u>4,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,483</u>	<u>-</u>	<u>1,620,703</u>
Protective Services:										
95300	Protective Services - other	<u>16,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,701</u>
Insurance premiums:										
96110	Property insurance	76,018	-	-	-	-	-	-	-	76,018
96120	Liability insurance	13,057	4,608	-	-	-	-	539	-	18,204
96130	Workmen's compensation	48,845	566	-	-	-	-	2,005	-	51,416
96140	All other insurance	41,690	7,822	-	-	-	-	4,472	-	53,984
96100	Total Insurance premiums	<u>179,610</u>	<u>12,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,016</u>	<u>-</u>	<u>199,622</u>
General expenses:										
96200	Other general expenses	2,506	7,719	6,161	-	-	-	4,804	-	21,190
96210	Compensated absences	8,870	235	-	-	-	-	19,165	-	28,270
96300	Payments in lieu of taxes	110,505	-	-	-	-	-	-	-	110,505
96400	Bad debt - tenant rents	16,340	-	-	-	-	-	-	-	16,340
	Total general expenses	<u>138,221</u>	<u>7,954</u>	<u>6,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,969</u>	<u>-</u>	<u>176,305</u>
	Total operating expenses	<u>3,607,553</u>	<u>652,215</u>	<u>6,161</u>	<u>1,017</u>	<u>10,947</u>	<u>48,430</u>	<u>808,499</u>	<u>(755,921)</u>	<u>4,378,901</u>
	Excess of operating revenue over operating expenses	<u>238,977</u>	<u>5,913,017</u>	<u>(6,136)</u>	<u>37,084</u>	<u>31,865</u>	<u>-</u>	<u>(11,246)</u>	<u>-</u>	<u>6,203,561</u>

**LANCASTER CITY HOUSING AUTHORITY  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED SEPTEMBER 30, 2016**

Line Item #	Accounts Description	Low-Rent Public Hsg 14.850	Housing Choice Vouchers 14.871	Business Activities	Shelter Plus Care 14.238	Moderate Rehab 14.856	Family Self-Sufficiency Program 14.896	Central Office Cost Center	Elimination	Total
<b>EXPENSES (Continued)</b>										
97100	Extraordinary maintenance	\$ 26,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,200
97300	Housing assistance payments	-	5,629,592	-	37,084	31,865	-	-	-	5,698,541
97350	HAP portability - in	-	210,334	-	-	-	-	-	-	210,334
97400	Depreciation expense	818,176	-	-	-	-	-	11,730	-	829,906
	Total expenses	<u>4,451,929</u>	<u>6,492,141</u>	<u>6,161</u>	<u>38,101</u>	<u>42,812</u>	<u>48,430</u>	<u>820,229</u>	<u>(755,921)</u>	<u>11,143,882</u>
Other financing sources (uses):										
10010	Operating transfer in	-	-	113,200	-	-	-	-	(113,200)	-
10020	Operating transfer out	-	-	-	-	-	-	(113,200)	113,200	-
	Total other financing sources (uses)	-	-	<u>113,200</u>	-	-	-	<u>(113,200)</u>	-	-
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES</b>		<u>\$ (605,399)</u>	<u>\$ 73,091</u>	<u>\$ 107,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (136,176)</u>	<u>\$ -</u>	<u>\$ (561,420)</u>
<b>Memo Account Information</b>										
11020	Required annual debt principal payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning equity	8,891,951	321,392	228,201	-	-	-	319,838	-	9,761,382
11040	Prior period adjustments, equity transfers and correction	-	-	-	-	-	-	-	-	-
11170	Administrative fee equity	-	343,398	-	-	-	-	-	-	343,398
11180	Housing assistance payments equity	-	51,085	-	-	-	-	-	-	51,085
11190	Unit months available	6,764	11,836	-	-	144	-	-	-	18,744
11210	Unit months leased	6,658	10,502	-	-	141	-	-	-	17,301
11270	Excess cash	1,588,239	-	-	-	-	-	-	-	1,588,239
11620	Building purchases	304,251	-	-	-	-	-	-	-	304,251
11660	Infrastructure purchases	-	-	-	-	-	-	-	-	-

**LANCASTER CITY HOUSING AUTHORITY  
PROJECT-WIDE BALANCE SHEET SUMMARY  
SEPTEMBER 30, 2016**

Accounts Description	AMP 012	AMP 034	AMP 711	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash:				
Unrestricted	\$ 375,915	\$ 1,198,731	\$ 463,962	\$ 2,038,608
Restricted	-	-	64,571	64,571
Tenant security deposits	<u>66,282</u>	<u>81,580</u>	<u>35,749</u>	<u>183,611</u>
Total cash	<u>442,197</u>	<u>1,280,311</u>	<u>564,282</u>	<u>2,286,790</u>
Accounts and notes receivable:				
Accounts receivable - HUD	1,504.00	1,260	532	3,296
Accounts receivable - other government	-	-	-	-
Accounts receivable - miscellaneous	1,850	2,254	1,237	5,341
Accounts receivable - tenant rents	6,949	2,028	4,727	13,704
Allowance for doubtful accounts - tenants	<u>(2,282)</u>	<u>(1,491)</u>	<u>(2,797)</u>	<u>(6,570)</u>
Total receivables, net	<u>8,021</u>	<u>4,051</u>	<u>3,699</u>	<u>15,771</u>
Total current assets	<u>450,218</u>	<u>1,284,362</u>	<u>567,981</u>	<u>2,302,561</u>
<b>NONCURRENT ASSETS</b>				
Capital assets:				
Land	119,555	171,598	58,859	350,012
Buildings	14,045,241	14,956,104	10,612,832	39,614,177
Furniture and equipment	189,022	186,898	22,588	398,508
Accumulated depreciation	(12,454,891)	(11,721,567)	(10,211,144)	(34,387,602)
Infrastructure	<u>321,498</u>	<u>157,075</u>	<u>101,731</u>	<u>580,304</u>
Total capital assets, net	2,220,425	3,750,108	584,866	6,555,399
Total noncurrent assets	<u>2,220,425</u>	<u>3,750,108</u>	<u>584,866</u>	<u>6,555,399</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,670,643</u>	<u>\$ 5,034,470</u>	<u>\$ 1,152,847</u>	<u>\$ 8,857,960</u>

**LANCASTER CITY HOUSING AUTHORITY  
PROJECT-WIDE BALANCE SHEET SUMMARY  
SEPTEMBER 30, 2016**

Accounts Description	AMP 012	AMP 034	AMP 711	Total
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable < 90 days	\$ 16,622	\$ 10,920	\$ 1,013	\$ 28,555
Accrued salaries/payroll withholding	10,692	12,881	4,344	27,917
Accounts payable - other gov.	34,475	60,527	15,774	110,776
Tenant security deposits	66,282	81,580	35,749	183,611
Unearned revenue	1,019	768	69	1,856
Accrued Liabilites- Other	1,850	2,254	1,237	5,341
Interprogram (due to)	1,504	1,260	532	3,296
Total current liabilities	<u>132,444</u>	<u>170,190</u>	<u>58,718</u>	<u>361,352</u>
<b>NONCURRENT LIABILITIES</b>				
Accrued comp. absences - long term	<u>73,994</u>	<u>100,006</u>	<u>36,056</u>	<u>210,056</u>
Total noncurrent liabilities	<u>73,994</u>	<u>100,006</u>	<u>36,056</u>	<u>210,056</u>
Total liabilities	<u>206,438</u>	<u>270,196</u>	<u>94,774</u>	<u>571,408</u>
<b>NET POSITION</b>				
Net Investment in capital assets, net of related debt	2,220,425	3,750,108	584,866	6,555,399
Restricted net position	-	-	64,571	64,571
Unrestricted net position	<u>243,780</u>	<u>1,014,166</u>	<u>408,636</u>	<u>1,666,582</u>
Total net position	<u>2,464,205</u>	<u>4,764,274</u>	<u>1,058,073</u>	<u>8,286,552</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 2,670,643</u>	<u>\$ 5,034,470</u>	<u>\$ 1,152,847</u>	<u>\$ 8,857,960</u>

**LANCASTER CITY HOUSING AUTHORITY**  
**PROJECT-WIDE REVENUE AND EXPENSE SUMMARY**  
**YEAR ENDED SEPTEMBER 30, 2016**

Accounts Description	AMP 012	AMP 034	AMP 711	Total
<b>REVENUES</b>				
Net tenant rental revenue	569,272	\$ 875,291	\$ 234,362	\$ 1,678,925
Tenant revenue other	32,515	29,943	16,679	79,137
Total tenant revenue	<u>601,787</u>	<u>905,234</u>	<u>251,041</u>	<u>1,758,062</u>
HUD PHA grants - operating	747,434	557,622	358,093	1,663,149
HUD PHA grants - capital	243,643	60,608	-	304,251
Investment income- unrestricted	5	7	3	15
Other revenue	14,436	100,505	4,979	119,920
Investment income - restricted	-	-	33	33
Gain/(loss) on disposition	-	1,100	-	1,100
Total revenues	<u>1,607,305</u>	<u>1,625,076</u>	<u>614,149</u>	<u>3,846,530</u>
<b>EXPENSES</b>				
Administrative				
Administrative salaries	120,821	101,882	47,336	270,039
Auditing fees	5,350	5,737	3,159	14,246
Management fees	146,664	191,804	81,367	419,835
Bookkeeping fees	17,587	23,925	8,452	49,964
Advertising and marketing	235	228	127	590
Employee benefits - administrative	47,055	47,481	20,415	114,951
Office expense	17,202	19,910	6,272	43,384
Legal expense	10,884	1,618	29	12,531
Travel expense	4,552	394	354	5,300
Other operating - administrative	20,811	23,876	5,056	49,743
Total administrative expense	<u>391,161</u>	<u>416,855</u>	<u>172,567</u>	<u>980,583</u>
Asset management fee	<u>23,880</u>	<u>32,400</u>	<u>11,400</u>	<u>67,680</u>
Tenant services				
Tenant services - salaries	-	60,001	-	60,001
Employee benefit - tenant services	-	27,907	-	27,907
Total tenant services	<u>-</u>	<u>87,908</u>	<u>-</u>	<u>87,908</u>
Utilities				
Water	128,903	68,795	73,685	271,383
Electricity	32,146	128,848	400	161,394
Gas	55,158	69,985	791	125,934
Other utilities	8,311	2,391	1,749	12,451
Total utilities expense	<u>224,518</u>	<u>270,019</u>	<u>76,625</u>	<u>571,162</u>

**LANCASTER CITY HOUSING AUTHORITY  
PROJECT-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED SEPTEMBER 30, 2016**

Accounts Description	AMP 012	AMP 034	AMP 711	Total
<b>EXPENSES - continued</b>				
Ordinary maintenance and operation				
Labor	\$ 281,212	\$ 254,101	\$ 140,269	\$ 675,582
Materials	102,627	91,536	21,134	215,297
Contracts	165,224	155,564	65,738	386,526
Employee benefit contributions	109,274	118,413	60,596	288,283
Total ordinary maintenance & operation	<u>658,337</u>	<u>619,614</u>	<u>287,737</u>	<u>1,565,688</u>
Protective services				
Other protective services	-	16,701	-	16,701
Total protective services	<u>-</u>	<u>16,701</u>	<u>-</u>	<u>16,701</u>
Insurance premiums				
Property insurance	26,683	28,880	20,455	76,018
Liability insurance	6,033	3,524	3,500	13,057
Workmen's compensation	20,422	18,159	10,264	48,845
Insurance - other	33,204	4,256	4,230	41,690
Total insurance premiums	<u>86,342</u>	<u>54,819</u>	<u>38,449</u>	<u>179,610</u>
General expenses				
Other general expenses	-	2,506	-	2,506
Compensated absences	4,747.00	771	3,352	8,870
Payments in lieu of taxes	34,474	60,257	15,774	110,505
Bad debt - tenant rents	7,670	6,625	2,045	16,340
Total general expenses	<u>46,891</u>	<u>70,159</u>	<u>21,171</u>	<u>138,221</u>
Total operating expense	<u>1,431,129</u>	<u>1,568,475</u>	<u>607,949</u>	<u>3,607,553</u>
Excess operating expense	<u>176,176</u>	<u>56,601</u>	<u>6,200</u>	<u>238,977</u>
Other expenses				
Extraordinary maintenance	18,500	-	7,700	26,200
Depreciation expense	260,761	446,278	111,137	818,176
Total other expenses	<u>279,261</u>	<u>446,278</u>	<u>118,837</u>	<u>844,376</u>
Total expenses	<u>1,710,390</u>	<u>2,014,753</u>	<u>726,786</u>	<u>4,451,929</u>
<b>Excess of revenue over expenses</b>	<b>(103,085)</b>	<b>(389,677)</b>	<b>(112,637)</b>	<b>(605,399)</b>
Beginning net position	<u>2,567,290</u>	<u>5,153,951</u>	<u>1,170,710</u>	<u>8,891,951</u>
<b>Ending net position</b>	<b>\$ 2,464,205</b>	<b>\$ 4,764,274</b>	<b>\$ 1,058,073</b>	<b>\$ 8,286,552</b>

**LANCASTER CITY HOUSING AUTHORITY  
STATEMENT AND CERTIFICATION OF PROGRAM COSTS  
CAPITAL FUND PROGRAM  
YEAR ENDED SEPTEMBER 30, 2016**

	<u><b>PA26P036501-13</b></u>
Funds Approved	\$ 671,189
Funds Expended	<u>671,189</u>
Excess of Funds Approved	<u><u>\$ -</u></u>
Funds Advanced	\$ 671,189
Funds Expended	<u>671,189</u>
Excess of Funds Advanced	<u><u>\$ -</u></u>
	<u><b>PA26P036501-14</b></u>
Funds Approved	\$ 677,273
Funds Expended	<u>677,273</u>
Excess of Funds Approved	<u><u>\$ -</u></u>
Funds Advanced	\$ 677,273
Funds Expended	<u>677,273</u>
Excess of Funds Advanced	<u><u>\$ -</u></u>

1. The distribution of costs as shown on the Actual Modernization Cost Certificates submitted to HUD for approval are in agreement with the Authority's records
2. All modernization costs have been paid and all related liabilities have been discharged through payment.



**SINGLE AUDIT REPORT**

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

Board of Directors  
Lancaster City Housing Authority  
Lancaster, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lancaster City Housing Authority (the Authority), which comprise the statement of net position as of September 30, 2016 and the related statements of revenues, expenses, and changes in net position, and cash flows for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
February 22, 2017

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

Board of Directors  
Lancaster City Housing Authority  
Lancaster, Pennsylvania

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

We have audited the Lancaster City Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2016. The Authority's major federal program is identified in the summary of auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

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

### **Report on Internal Control Over Compliance**

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

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

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

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



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
February 22, 2017

**LANCASTER CITY HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2016**

Federal Grantor/ Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Housing and Urban Development</b>				
<b>Direct Programs</b>				
Shelter Plus Care	14.238	-	\$ -	\$ 38,101
Family Self-Sufficiency Program	14.896	-	-	48,430
Public and Indian Housing	14.850	-	-	1,490,195
Section 8 Housing Choice Vouchers	14.871	-	-	6,492,141
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	-	-	42,812
Public Housing Capital Fund Program	14.872	-	-	477,205
Total Department of Housing and Urban Development Direct Programs				<u>8,588,884</u>
Total Expenditures of Federal Awards				<u><u>\$ 8,588,884</u></u>

See accompanying Notes to the Schedule.

**LANCASTER CITY HOUSING AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2016**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Authority under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

**NOTE 3 NON-CASH FEDERAL ASSISTANCE**

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2016.

**NOTE 4 LOAN GUARANTEES**

At the year ended September 30, 2016, the Authority is not the guarantor of any loans outstanding other than those disclosed in the basic Financial Statements.

**LANCASTER CITY HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2016**

---

***Section I – Summary of Auditors’ Results***

---

***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        X   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes        X   no

***Identification of Major Federal Programs***

**CFDA Number(s)**

14.871

**Name of Federal Program or Cluster**

Housing Choice Voucher Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$   750,000  

Auditee qualified as low-risk auditee?

  X   yes      \_\_\_\_\_ no



**LANCASTER CITY HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2016**

---

***Section II – Financial Statement Findings***

---

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

---

***Section III – Findings and Questioned Costs – Major Federal Programs***

---

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

---

***Section IV – Prior Year Findings***

---

There were no findings in the prior year that were required to be reported.

Board of Directors  
Lancaster City Housing Authority  
Lancaster, Pennsylvania

We have audited the financial statements of Lancaster City Housing Authority (the Authority) as of and for the year ended September 30, 2016, and have issued our report thereon dated February 22, 2017. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

## Significant audit findings

### ***Qualitative aspects of accounting practices***

#### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.

As described in Note 1, the Authority changed accounting policies related to GAAP Hierarchy by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in 2016.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the allowance for doubtful accounts is based on management's knowledge and experience about past and current events, assumption about future events, and analysis of the collectability. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

**Difficulties encountered in performing the audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Uncorrected misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

**Corrected misstatements**

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

**Disagreements with management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

**Management representations**

We have requested certain representations from management that are included in the attached management representation letter dated February 22, 2017.

**Management consultations with other independent accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Significant issues discussed with management prior to engagement**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

**Other information in documents containing audited financial statements**

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying

the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated February 22, 2017.

With respect to the Financial Data Schedule and the Statement and Certifications of Program Costs (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated February 22, 2017.

\* \* \*

This communication is intended solely for the information and use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
February 22, 2017

February 22, 2017

CliftonLarsonAllen LLP  
1966 Greenspring Drive, Suite 300  
Timonium, MD 21093

This representation letter is provided in connection with your audit of the financial statements of Lancaster City Housing Authority as of September 30, 2016, and the changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of February 22, 2017, the following representations made to you during your audit of the financial statements as of and for the year ended September 30, 2016.

#### **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 22, 2016, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- We acknowledge and have fulfilled our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
- Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable

from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We have not identified or been notified of any uncorrected financial statement misstatements.
- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
- We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

#### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices.
  - All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.
  - Access to all audit or relevant monitoring reports, if any, received from funding sources.

- All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse whose effects should be considered when preparing financial statements.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
- We have taken timely and appropriate steps to remedy fraud, illegal acts, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
- We have a process to track the status of audit findings and recommendations. However, no findings were noted during the audit.
- We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Lancaster City Housing Authority, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

- There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- The financial statements properly classify all activities.
- Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Expenses have been appropriately classified in or allocated programs in the statement of activities, and allocations have been made on a reasonable basis.
- Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
- Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and



presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

- We acknowledge our responsibility for presenting the Financial Data Schedule (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
- In regards to the non-attest services performed by you, we have:
  - Made all management judgments and decisions and assumed all management responsibilities.
  - Designated an individual who possesses suitable skill, knowledge, or and/or experience to understand and oversee the services.
  - Evaluated the adequacy and results of the services performed.
  - Accepted responsibility for the results of the services.
- With respect to federal award programs:
  - We are responsible for understanding and complying with, and have complied with the 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) including requirements relating to preparation of the schedule of expenditures of federal awards.
  - We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
  - If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issued the SEFA and the auditors' report thereon.
  - We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of federal

awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

- We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.
- We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- We have disclosed to you any communications from federal awarding concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

- There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency.
- We have charged costs to federal awards in accordance with applicable cost principles.
- We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

Signature: \_\_\_\_\_



Robert C. Schellhamer

Title: Executive Director