

LANCASTER CITY HOUSING AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

**LANCASTER CITY HOUSING AUTHORITY
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YEAR ENDED SEPTEMBER 30, 2017**

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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, 2017, 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, 2017, 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 and schedule of expenditures of federal awards 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 20, 2018 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 solely to describe the scope of our testing of internal control over

Board of Directors
Lancaster City Housing Authority

financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
February 20, 2018

**LANCASTER CITY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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, 2017. 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, 2017 by \$9,175,525 (net position).
- The Authority's unrestricted cash balance as of September 30, 2017 was \$2,889,401, representing an increase of \$69,815 from the prior year.
- The Authority had \$1,814,513 in tenant revenue, \$8,390,989 in HUD PHA Operating Grants, and \$613,121 of HUD Capital Grants for the year ended September 30, 2017.

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, 2017**

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

| | 2017 | 2016 | Total Change | % Change |
|------------------------------------|----------------------|----------------------|---------------------|-----------------|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 3,367,744 | \$ 3,275,955 | \$ 91,789 | 2.80% |
| Other Current Assets | 209,918 | 214,222 | (4,304) | (2.01)% |
| Long-Term Receivable | 18,103 | 31,960 | (13,857) | (43.36)% |
| Capital Assets | 6,427,176 | 6,628,962 | (201,786) | (3.04)% |
| Total Assets | <u>\$ 10,022,941</u> | <u>\$ 10,151,099</u> | <u>\$ (128,158)</u> | <u>(1.26)%</u> |
| Liabilities | | | | |
| Current Liabilities | \$ 430,013 | \$ 423,285 | \$ 6,728 | 1.59% |
| Noncurrent Liabilities | 417,403 | 527,852 | (110,449) | (20.92)% |
| Total Liabilities | <u>847,416</u> | <u>951,137</u> | <u>(103,721)</u> | <u>(10.90)%</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 6,427,176 | 6,628,962 | (201,786) | (3.04)% |
| Restricted Net Position | 145,358 | 115,656 | 29,702 | 25.68% |
| Unrestricted Net Position | 2,602,991 | 2,455,344 | 147,647 | 6.01% |
| Total Net Position | <u>9,175,525</u> | <u>9,199,962</u> | <u>(24,437)</u> | <u>(0.27)%</u> |
| Total Liabilities and Net Position | <u>\$ 10,022,941</u> | <u>\$ 10,151,099</u> | <u>\$ (128,158)</u> | <u>(1.26)%</u> |

Analysis of Net Position

Total Assets for the years ended September 30, 2017 and 2016, were \$10,022,941 and \$10,151,099, respectively. This represents a net decrease of \$128,158 over the prior year.

Current Assets increased by \$87,485 from the prior year. This increase is primarily due to an increase in cash as a result of an operational net profit.

**LANCASTER CITY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Net Capital Assets decreased by \$201,786 from the prior year due to current year depreciation expense exceeding fixed asset additions.

| | 2017 | 2016 | Total Change | % Change |
|-------------------------------------|---------------------|---------------------|---------------------|---------------|
| Land | \$ 350,012 | \$ 350,012 | \$ - | 0.00% |
| Infrastructure | 580,304 | 580,304 | - | 0.00% |
| Buildings and Improvements | 40,227,299 | 39,614,177 | 613,122 | 1.55% |
| Furniture, Equipment, and Machinery | 606,024 | 764,951 | (158,927) | -20.78% |
| | <u>41,763,639</u> | <u>41,309,444</u> | <u>454,195</u> | <u>1.10%</u> |
| Less: Accumulated Depreciation | (35,336,463) | (34,680,482) | (655,981) | 1.89% |
| Net Capital Assets | <u>\$ 6,427,176</u> | <u>\$ 6,628,962</u> | <u>\$ (201,786)</u> | <u>-3.04%</u> |

Current liabilities increased \$6,728 for the year ended September 30, 2017. The primary driver for the increase is for subsequent fiscal year's payment of a compensated absence liability on an employee retiring.

Statement of Revenues, Expenses, and Change in Net Position

| | 2017 | 2016 | Total Change | % Change |
|------------------------------|---------------------|---------------------|--------------------|----------------|
| Revenues | | | | |
| Tenant Revenue | \$ 1,814,513 | \$ 1,758,062 | \$ 56,451 | 3.21% |
| HUD PHA Grants | 8,390,989 | 8,101,278 | 289,711 | 3.58% |
| Capital Grants | 613,121 | 304,251 | 308,870 | 101.52% |
| Investment Income | 10,734 | 75 | 10,659 | 14212.00% |
| Gain on Sale of Fixed Assets | - | 1,100 | (1,100) | (100.00)% |
| Other Income | 403,574 | 417,696 | (14,122) | (3.38)% |
| Total Revenues | <u>11,232,931</u> | <u>10,582,462</u> | <u>650,469</u> | <u>6.15%</u> |
| Expenses | | | | |
| Administrative | 1,713,726 | 1,691,574 | 22,152 | 1.31% |
| Tenant Services | 86,659 | 87,908 | (1,249) | (1.42)% |
| Utilities | 659,587 | 586,088 | 73,499 | 12.54% |
| Maintenance and Operations | 1,503,904 | 1,663,604 | (159,700) | (9.60)% |
| General Expenses | 383,172 | 375,927 | 7,245 | 1.93% |
| Housing Assistance Payments | 6,080,860 | 5,908,875 | 171,985 | 2.91% |
| Depreciation Expense | 829,460 | 829,906 | (446) | (0.05)% |
| Total Expenses | <u>11,257,368</u> | <u>11,143,882</u> | <u>113,486</u> | <u>1.02%</u> |
| Change in Net Position | (24,437) | (561,420) | 536,983 | (95.65)% |
| Beginning Net Position | <u>9,199,962</u> | <u>9,761,382</u> | <u>(561,420)</u> | <u>(5.75)%</u> |
| Ending Net Position | <u>\$ 9,175,525</u> | <u>\$ 9,199,962</u> | <u>\$ (24,437)</u> | <u>(0.27)%</u> |

**LANCASTER CITY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Analysis of Revenues

Total Revenues for the years ended September 30, 2017 and 2016 were \$11,232,931 and \$10,582,462, respectively. The Authority administers the following programs and the revenues generated from these programs for the year ended September 30, 2017 as follows:

| | |
|---------------------------------------|----------------------|
| Central Office Cost Center | \$ 22,463 |
| Low Rent Public Housing (AMPs) | 4,377,050 |
| Section 8 Housing Choice Voucher | 6,744,283 |
| Section 8 Moderate Rehabilitation SRO | 50,140 |
| Business Activities | 2,640 |
| Family Self-Sufficiency | 34,500 |
| Shelter Plus Care | 1,855 |
| Total Revenues | <u>\$ 11,232,931</u> |

Total Tenant Revenue increased by \$56,451 from the previous fiscal year as a result of a reclassification of tenant laundry income from other income, along with leasing tenants with higher income.

HUD PHA Grants increased \$289,711 in 2017 due to higher operating subsidy proration and increase in capital fund activity.

Capital Grants increased \$308,870 for the year ended September 30, 2017 due to more improvement work items undertaken compared to the prior fiscal year.

Analysis of Expenses

Total Expenses increased by \$140,942 for the year ended September 30, 2017 as compared to the year ended September 30, 2016.

Administrative expenses increased \$22,152 in 2017 due to an overlay of staff positions during a transition period to train newly hired staff and an increase in fee accounting costs to support new accounting staff.

Maintenance and operation expenditures decreased by \$159,700, due primarily to the conclusion of additional maintenance contracts incurred in the prior fiscal year for non-cyclical work items.

Housing Assistance Payments (HAP) increased by \$171,985 primarily because of rent increases to landlords and an increase in the number of vouchers leased.

**LANCASTER CITY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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, 2018:

1. The uncertainty of a reduction of HUD funded subsidies.
2. The funding of the Housing Choice Voucher program for 2018 is essentially based on 2017 HAP Expense reported in the Voucher Management System. The Authority anticipates being able to house an average of approximately 900 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 Barbara Wilson, 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, 2017

ASSETS

CURRENT ASSETS

| | |
|--|--------------|
| Cash and Cash Equivalents - Unrestricted | \$ 2,889,401 |
| Cash and Cash Equivalents - Restricted | 478,343 |
| Accounts Receivable, Net | 22,267 |
| Prepaid Expenses | 120,045 |
| Inventories | 67,606 |
| Total Current Assets | 3,577,662 |

NONCURRENT ASSETS

| | |
|-------------------------|-----------|
| Capital Assets, Net | 6,427,176 |
| Other Assets | 18,103 |
| Total Noncurrent Assets | 6,445,279 |

| | |
|--------------|---------------|
| Total Assets | \$ 10,022,941 |
|--------------|---------------|

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

| | |
|--|-----------|
| Accounts Payable | \$ 28,690 |
| Accrued Wages / Payroll Taxes | 66,591 |
| Accounts Payable - HUD | 198 |
| Accounts Payable - Other Government | 106,176 |
| Accrued Compensated Absences - Current Portion | 32,267 |
| Accrued Liabilities | 6,444 |
| Tenant Security Deposits | 187,126 |
| Unearned Revenues | 2,521 |
| Total Current Liabilities | 430,013 |

NONCURRENT LIABILITIES

| | |
|------------------------------|---------|
| Accrued Compensated Absences | 271,544 |
| Other Noncurrent Liabilities | 145,859 |
| Total Noncurrent Liabilities | 417,403 |

| | |
|-------------------|---------|
| Total Liabilities | 847,416 |
|-------------------|---------|

NET POSITION

| | |
|----------------------------------|-----------|
| Net Investment in Capital Assets | 6,427,176 |
| Restricted | 145,358 |
| Unrestricted | 2,602,991 |
| Total Net Position | 9,175,525 |

| | |
|------------------------------------|---------------|
| Total Liabilities and Net Position | \$ 10,022,941 |
|------------------------------------|---------------|

LANCASTER CITY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2017

| | |
|---|----------------------------|
| OPERATING REVENUES | |
| Tenant Dwelling Rental | \$ 1,701,590 |
| Other Tenant Rental | 112,923 |
| Total Tenant Income | <u>1,814,513</u> |
| HUD Grants - Noncapital | 8,390,989 |
| Other Income | 403,574 |
| Total Operating Revenues | <u>10,609,076</u> |
| OPERATING EXPENSES | |
| Administrative | 1,713,726 |
| Tenant Services | 86,659 |
| Utilities | 659,587 |
| Maintenance and Operations | 1,503,904 |
| General Expense | 381,235 |
| Housing Assistance and Portability Payments | 6,080,860 |
| Depreciation Expense | 829,460 |
| Total Operating Expenses | <u>11,255,431</u> |
| Net Loss from Operations | <u>(646,355)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment Income | 10,734 |
| Casualty Losses | (1,937) |
| Total Nonoperating Revenues (Expenses) | <u>8,797</u> |
| Net Loss Before Capital Contributions | (637,558) |
| HUD Grants - Capital | <u>613,121</u> |
| DECREASE IN NET POSITION | (24,437) |
| Net Position - Beginning of Year | <u>9,199,962</u> |
| NET POSITION - END OF YEAR | <u><u>\$ 9,175,525</u></u> |

See accompanying Notes to Financial Statement

**LANCASTER CITY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------|
| Receipts From Customers and Users | \$ 1,842,589 |
| Governmental Grants and Subsidiary - Operations | 8,390,989 |
| Cash Received From Other Sources | 403,574 |
| Payments to Suppliers for Operations | (656,729) |
| Payments for Housing Operations and Tenant Services | (1,290,958) |
| Housing Assistance Payments | (6,080,860) |
| Payments to Employees | (2,511,060) |
| Net Cash Provided by Operating Activities | 97,545 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|-------------------|--------|
| Interest Received | 10,734 |
|-------------------|--------|

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|-----------|
| Grant Revenue - Capital Grants | 613,121 |
| Acquisition of Capital Assets | (627,674) |
| Net Cash Used by Capital and Related Financing Activities | (14,553) |

CASH FLOWS FROM NON CAPITAL AND RELATED ACTIVITIES

| | |
|-----------------------------|---------|
| Proceeds from Sale of Asset | (1,937) |
|-----------------------------|---------|

NET INCREASE IN CASH AND CASH EQUIVALENTS

91,789

Cash and Cash Equivalents - Beginning of Year

3,275,955

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 3,367,744

REPORTED AS:

| | |
|--|--------------|
| Cash and Cash Equivalents - Unrestricted | \$ 2,889,401 |
| Cash and Cash Equivalents - Restricted | 478,343 |
| Total Cash - End of Year | \$ 3,367,744 |

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | |
|---|--------------|
| Net Loss From Operations | \$ (646,355) |
| Adjustments to Reconcile Operating Loss to Net Cash | |
| Provided by Operating Activities: | |
| Depreciation | 829,460 |
| Bad Debt Expense (Tenants) | 19,379 |
| Effects of Changes in Operating Assets and Liabilities: | |
| Accounts Receivable | 5,182 |
| Prepaid Expenses | (14,024) |
| Inventories | 7,624 |
| Accounts Payable | (16,448) |
| Accrued Wages / Payroll Taxes | (9,392) |
| Accrued Liabilities | (3,879) |
| Unearned Revenue | 665 |
| Compensated Absences | (66,939) |
| Tenant Security Deposits | 3,515 |
| Other Noncurrent Liabilities | (11,243) |
| Net Cash Provided by Operating Activities | \$ 97,545 |

See accompanying Notes to Financial Statement

**LANCASTER CITY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017

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, 2017

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, 2017

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, 2017, 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, 2017

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 2017, the Authority implemented the following GASB Statements:

Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The implementation of this Statement had no impact on the Authority.

Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans. The implementation of this Statement had no impact on the Authority.

Statement No. 82 – *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address the issues (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this Statement had no impact on the Authority.

LANCASTER CITY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017, 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 \$3,367,744 and bank balances of \$3,535,682 at September 30, 2017.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at September 30, 2017:

| | | |
|---|-----------|---------------|
| Tenant Receivable, Less Allowance for Doubtful Accounts of \$4,319 | \$ | 5,318 |
| Accounts Receivable - HUD | | 11,206 |
| Accounts Receivable - Other Government | | 1,265 |
| Accounts Receivable - Other | | 3,210 |
| Accounts Receivable - Fraud Recovery, Less Allowance for Doubtful Accounts of \$51,996 | | 1,268 |
| Net Accounts Receivable | <u>\$</u> | <u>22,267</u> |

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, 2017, the long-term portion of these receivables was \$18,103 and the current portion, which is included in accounts receivable, was \$53,264. Allowance for doubtful accounts of \$51,996 offsets the current portion.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

| | Balance October 1, 2016 | Additions | Deletions | Transfers | Balance September 30, 2017 |
|---------------------------------------|-------------------------------|---------------------|------------------|---------------|----------------------------------|
| Historical Cost: | | | | | |
| Capital Assets not Being Depreciated: | | | | | |
| Land | \$ 350,012 | \$ - | \$ - | \$ - | \$ 350,012 |
| Capital Assets Being Depreciated: | | | | | |
| Infrastructure | 580,304 | - | - | - | 580,304 |
| Buildings and Improvements | 39,614,177 | 613,122 | - | - | 40,227,299 |
| Furniture, Equipment, and Machinery | 764,951 | 14,552 | (207,513) | 34,034 | 606,024 |
| Total Cost | <u>40,959,432</u> | <u>627,674</u> | <u>(207,513)</u> | <u>34,034</u> | <u>41,413,627</u> |
| Accumulated Depreciation: | | | | | |
| Infrastructure | 366,498 | 29,625 | - | - | 396,123 |
| Buildings and Improvements | 33,751,133 | 752,563 | - | - | 34,503,696 |
| Furniture, Equipment, and Machinery | 562,851 | 47,272 | (207,513) | 34,034 | 436,644 |
| Total Accumulated Depreciation | <u>34,680,482</u> | <u>829,460</u> | <u>(207,513)</u> | <u>34,034</u> | <u>35,336,463</u> |
| Net Capital Assets Being Depreciated | <u>6,278,950</u> | <u>(201,786)</u> | <u>-</u> | <u>-</u> | <u>6,077,164</u> |
| Net Capital Assets | <u>\$ 6,628,962</u> | <u>\$ (201,786)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,427,176</u> |

**LANCASTER CITY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 COMPENSATED ABSENCES

A summary of total compensated absences as of September 30, 2017, is as follows:

| Balance October 1, 2016 | Additions | Used | Balance September 30, 2017 | Current Portion |
|-------------------------------|-----------|------------|----------------------------------|--------------------|
| \$ 370,750 | \$ 66,934 | \$ 133,873 | \$ 303,811 | \$ 32,267 |

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, 2017, were \$197,502 and \$531,460, 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, 2017.

**LANCASTER CITY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 DEFERRED COMPENSATION PLAN (CONTINUED)

The following is a summary of the activity in the plan for the year ended September 30, 2017:

| | |
|--|--------------|
| Plan Assets (At Market) - October 1, 2016 | \$ 1,258,111 |
| Employee Contributions | 95,449 |
| Investment Gain, Net of Fees | 167,797 |
| Benefits Paid | (461,947) |
| Plan Assets (At Market) - September 30, 2017 | \$ 1,059,410 |

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, 2017**

| 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 |
|--------------------------------|---|-------------------------------|-----------------------------------|---------------------|-----------------------------|--------------------------|---|----------------------------|-------------------|----------------------|
| ASSETS | | | | | | | | | | |
| CURRENT ASSETS | | | | | | | | | | |
| Cash: | | | | | | | | | | |
| 111 | Unrestricted | \$ 2,154,754 | \$ 358,567 | \$ 334,373 | \$ - | \$ - | \$ - | \$ 41,707 | \$ - | \$ 2,889,401 |
| 113 | Other restricted | 64,595 | 226,622 | - | - | - | - | - | - | 291,217 |
| 114 | Tenant security deposits | 187,126 | - | - | - | - | - | - | - | 187,126 |
| | Total cash | <u>2,406,475</u> | <u>585,189</u> | <u>334,373</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>41,707</u> | <u>-</u> | <u>3,367,744</u> |
| Accounts and notes receivable: | | | | | | | | | | |
| 122 | Accounts receivable - HUD | 8,935 | - | - | - | 2,271 | - | - | - | 11,206 |
| 124 | Accounts receivable - other government | - | - | - | - | - | - | 1,265 | - | 1,265 |
| 125 | Accounts receivable - miscellaneous | 3,210 | - | - | - | - | - | - | - | 3,210 |
| 126 | Accounts receivable - tenants rents | 9,637 | - | - | - | - | - | - | - | 9,637 |
| 126.1 | Allowance for doubtful accounts - tenants | (4,319) | - | - | - | - | - | - | - | (4,319) |
| 128 | Accounts receivable - fraud recovery | - | 53,264 | - | - | - | - | - | - | 53,264 |
| 128.1 | Allowance for doubtful accounts - fraud | - | (51,996) | - | - | - | - | - | - | (51,996) |
| | Total receivables, net | <u>17,463</u> | <u>1,268</u> | <u>-</u> | <u>-</u> | <u>2,271</u> | <u>-</u> | <u>1,265</u> | <u>-</u> | <u>22,267</u> |
| 142 | Prepaid expenses and other assets | - | - | - | - | - | - | 120,045 | - | 120,045 |
| 143 | Inventories | - | - | - | - | - | - | 94,207 | - | 94,207 |
| 143.1 | Allowance for obsolete inventories | - | - | - | - | - | - | (26,601) | - | (26,601) |
| 144 | Interprogram due from | 783 | - | - | - | - | - | 2,184 | (2,967) | - |
| | Total current investments | <u>783</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>189,835</u> | <u>(2,967)</u> | <u>187,651</u> |
| | Total current assets | <u>2,424,721</u> | <u>586,457</u> | <u>334,373</u> | <u>-</u> | <u>2,271</u> | <u>-</u> | <u>232,807</u> | <u>(2,967)</u> | <u>3,577,662</u> |
| NONCURRENT ASSETS | | | | | | | | | | |
| Capital assets: | | | | | | | | | | |
| 161 | Land | 350,012 | - | - | - | - | - | - | - | 350,012 |
| 162 | Buildings | 40,227,299 | - | - | - | - | - | - | - | 40,227,299 |
| 164 | Furniture and equipment | 348,418 | 35,861 | - | - | - | - | 221,745 | - | 606,024 |
| 166 | Accumulated depreciation | (35,144,080) | (18,261) | - | - | - | - | (174,122) | - | (35,336,463) |
| 168 | Infrastructure | 580,304 | - | - | - | - | - | - | - | 580,304 |
| | Total capital assets, net | <u>6,361,953</u> | <u>17,600</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>47,623</u> | <u>-</u> | <u>6,427,176</u> |
| 174 | Other assets | - | 18,103 | - | - | - | - | - | - | 18,103 |
| | Total noncurrent assets | <u>6,361,953</u> | <u>35,703</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>47,623</u> | <u>-</u> | <u>6,445,279</u> |
| | TOTAL ASSETS | <u>\$ 8,786,674</u> | <u>\$ 622,160</u> | <u>\$ 334,373</u> | <u>\$ -</u> | <u>\$ 2,271</u> | <u>\$ -</u> | <u>\$ 280,430</u> | <u>\$ (2,967)</u> | <u>\$ 10,022,941</u> |

**LANCASTER CITY HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
SEPTEMBER 30, 2017**

| 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 |
|-----------------------------------|---|-------------------------------|-----------------------------------|---------------------|-----------------------------|--------------------------|---|----------------------------|-------------------|----------------------|
| LIABILITIES AND NET ASSETS | | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | | |
| 312 | Accounts payable < 90 days | \$ 25,249 | \$ 283 | \$ - | \$ - | \$ - | \$ - | \$ 3,158 | \$ - | \$ 28,690 |
| 321 | Accrued salaries/payroll withholding | 28,726 | 5,812 | - | - | - | - | 32,053 | - | 66,591 |
| 322 | Accrued compensated absences | - | - | - | - | - | - | 32,267 | - | 32,267 |
| 331 | Accounts payable - HUD PHA programs | - | 198 | - | - | - | - | - | - | 198 |
| 333 | Accounts payable - other gov. | 106,176 | - | - | - | - | - | - | - | 106,176 |
| 341 | Tenant security deposits | 187,126 | - | - | - | - | - | - | - | 187,126 |
| 342 | Unearned revenue | 2,521 | - | - | - | - | - | - | - | 2,521 |
| 346 | Accrued liabilities - other | 3,210 | 3,147 | - | - | 87 | - | - | - | 6,444 |
| 347 | Interprogram (due to) | - | - | - | - | 2,184 | - | 783 | (2,967) | - |
| | Total current liabilities | <u>353,008</u> | <u>9,440</u> | <u>-</u> | <u>-</u> | <u>2,271</u> | <u>-</u> | <u>68,261</u> | <u>(2,967)</u> | <u>430,013</u> |
| NONCURRENT LIABILITIES | | | | | | | | | | |
| 353 | Noncurrent liabilities - other | - | 145,859 | - | - | - | - | - | - | 145,859 |
| 354 | Accrued comp. absences - long term | 190,054 | 27,564 | - | - | - | - | 53,926 | - | 271,544 |
| | Total noncurrent liabilities | <u>190,054</u> | <u>173,423</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>53,926</u> | <u>-</u> | <u>417,403</u> |
| | Total liabilities | <u>543,062</u> | <u>182,863</u> | <u>-</u> | <u>-</u> | <u>2,271</u> | <u>-</u> | <u>122,187</u> | <u>(2,967)</u> | <u>847,416</u> |
| NET POSITION | | | | | | | | | | |
| 508.4 | Invested in capital assets, net of related debt | 6,361,953 | 17,600 | - | - | - | - | 47,623 | - | 6,427,176 |
| 511.4 | Restricted net position | 64,595 | 80,763 | - | - | - | - | - | - | 145,358 |
| 512.4 | Unrestricted net position | 1,817,064 | 340,934 | 334,373 | - | - | - | 110,620 | - | 2,602,991 |
| | Total net position | <u>8,243,612</u> | <u>439,297</u> | <u>334,373</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>158,243</u> | <u>-</u> | <u>9,175,525</u> |
| | TOTAL LIABILITIES AND NET POSITION | <u>\$ 8,786,674</u> | <u>\$ 622,160</u> | <u>\$ 334,373</u> | <u>\$ -</u> | <u>\$ 2,271</u> | <u>\$ -</u> | <u>\$ 280,430</u> | <u>\$ (2,967)</u> | <u>\$ 10,022,941</u> |

**LANCASTER CITY HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
YEAR ENDED SEPTEMBER 30, 2017**

| 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 |
|------------------|---|-------------------------------|-----------------------------------|---------------------|-----------------------------|--------------------------|---|----------------------------|-------------|--------------|
| REVENUE | | | | | | | | | | |
| 70300 | Net tenant rental revenue | \$ 1,701,590 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,701,590 |
| 70400 | Tenant revenue - other | 112,923 | - | - | - | - | - | - | - | 112,923 |
| 70500 | Total tenant revenue | 1,814,513 | - | - | - | - | - | - | - | 1,814,513 |
| 70600 | HUD PHA operating grants | 1,821,031 | 6,483,463 | - | 1,855 | 50,140 | 34,500 | - | - | 8,390,989 |
| 70610 | Capital grants | 613,121 | - | - | - | - | - | - | - | 613,121 |
| 70710 | Management fee | - | - | - | - | - | - | 566,919 | (566,919) | - |
| 70720 | Asset management fee | - | - | - | - | - | - | 67,680 | (67,680) | - |
| 70730 | Bookkeeping fee | - | - | - | - | - | - | 129,909 | (129,909) | - |
| 71100 | Investment income - unrestricted | 1,299 | 1,337 | 2,640 | - | - | - | 5,434 | - | 10,710 |
| 71400 | Fraud recovery | - | 12 | - | - | - | - | - | - | 12 |
| 71500 | Other revenue | 127,062 | 259,471 | - | - | - | - | 17,029 | - | 403,562 |
| 71600 | Gain or loss on the sale of fixed assets | - | - | - | - | - | - | - | - | - |
| 72000 | Investment income - restricted | 24 | - | - | - | - | - | - | - | 24 |
| | Total revenue | 4,377,050 | 6,744,283 | 2,640 | 1,855 | 50,140 | 34,500 | 786,971 | (764,508) | 11,232,931 |
| EXPENSES | | | | | | | | | | |
| Administrative: | | | | | | | | | | |
| 91100 | Administrative salaries | 290,269 | 215,071 | - | - | 7,782 | 32,081 | 413,970 | - | 959,173 |
| 91200 | Auditing fees | 13,928 | 4,193 | - | - | 300 | - | 4,044 | - | 22,465 |
| 91300 | Management fee | 438,543 | 128,376 | - | - | - | - | - | (566,919) | - |
| 91310 | Bookkeeping fee | 49,674 | 80,235 | - | - | - | - | - | (129,909) | - |
| 91400 | Advertising and marketing | 2,473 | 444 | - | - | - | - | 119 | - | 3,036 |
| 91500 | Employee benefit contributions - administrative | 123,416 | 112,329 | - | - | 3,269 | 2,419 | 208,173 | - | 449,606 |
| 91600 | Office expenses | 45,479 | 33,189 | - | - | - | - | 64,039 | - | 142,707 |
| 91700 | Legal expense | 3,565 | 288 | - | - | - | - | 7,930 | - | 11,783 |
| 91800 | Travel | 3,660 | 5,896 | - | - | - | - | 12,665 | - | 22,221 |
| 91900 | Other | 48,346 | 16,267 | - | 68 | - | - | 38,054 | - | 102,735 |
| | Total administrative | 1,019,353 | 596,288 | - | 68 | 11,351 | 34,500 | 748,994 | (696,828) | 1,713,726 |
| 92000 | Asset management fee | 67,680 | - | - | - | - | - | - | (67,680) | - |
| Tenant services: | | | | | | | | | | |
| 92100 | Salaries | 60,533 | - | - | - | - | - | - | - | 60,533 |
| 92300 | Employee benefit contributions | 26,126 | - | - | - | - | - | - | - | 26,126 |
| | Total tenant services | 86,659 | - | - | - | - | - | - | - | 86,659 |

**LANCASTER CITY HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
YEAR ENDED SEPTEMBER 30, 2017**

| 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 |
|------------------------------------|---|-------------------------------|-----------------------------------|---------------------|-----------------------------|--------------------------|---|----------------------------|------------------|------------------|
| EXPENSES (Continued) | | | | | | | | | | |
| Utilities: | | | | | | | | | | |
| 93100 | Water | \$ 298,381 | \$ 1,452 | \$ - | \$ - | \$ - | \$ - | \$ 1,932 | \$ - | \$ 301,765 |
| 93200 | Electricity | 180,409 | 4,015 | - | - | - | - | 8,043 | - | 192,467 |
| 93300 | Gas | 150,344 | 1,315 | - | - | - | - | 2,634 | - | 154,293 |
| 93800 | Other utilities expense | 10,999 | 27 | - | - | - | - | 36 | - | 11,062 |
| | Total utilities | <u>640,133</u> | <u>6,809</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,645</u> | <u>-</u> | <u>659,587</u> |
| Ordinary maintenance & operations: | | | | | | | | | | |
| 94100 | Labor | 652,570 | - | - | - | - | - | - | - | 652,570 |
| 94200 | Materials and other | 201,474 | 343 | - | - | - | - | 13,535 | - | 215,352 |
| 94300 | Contracts | 342,730 | 4,280 | - | - | - | - | 12,325 | - | 359,335 |
| 94500 | Employee benefits contribution | 276,647 | - | - | - | - | - | - | - | 276,647 |
| | Total ordinary maintenance & operations | <u>1,473,421</u> | <u>4,623</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,860</u> | <u>-</u> | <u>1,503,904</u> |
| Insurance premiums: | | | | | | | | | | |
| 96110 | Property insurance | 74,844 | - | - | - | - | - | - | - | 74,844 |
| 96120 | Liability insurance | 13,035 | 4,601 | - | - | - | - | 538 | - | 18,174 |
| 96130 | Workmen's compensation | 51,070 | 539 | - | - | - | - | 1,929 | - | 53,538 |
| 96140 | All other insurance | 45,359 | 8,153 | - | - | - | - | 4,427 | - | 57,939 |
| 96100 | Total Insurance premiums | <u>184,308</u> | <u>13,293</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,894</u> | <u>-</u> | <u>204,495</u> |
| General expenses: | | | | | | | | | | |
| 96200 | Other general expenses | 1,038 | 33,772 | 3,532 | - | - | - | 2,768 | - | 41,110 |
| 96210 | Compensated absences | 10,074 | - | - | - | - | - | - | - | 10,074 |
| 96300 | Payments in lieu of taxes | 106,177 | - | - | - | - | - | - | - | 106,177 |
| 96400 | Bad debt - tenant rents | 19,379 | - | - | - | - | - | - | - | 19,379 |
| | Total general expenses | <u>136,668</u> | <u>33,772</u> | <u>3,532</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,768</u> | <u>-</u> | <u>176,740</u> |
| | Total operating expenses | <u>3,608,222</u> | <u>654,785</u> | <u>3,532</u> | <u>68</u> | <u>11,351</u> | <u>34,500</u> | <u>797,161</u> | <u>(764,508)</u> | <u>4,345,111</u> |
| | Excess of operating revenue over operating expenses | <u>768,828</u> | <u>6,089,498</u> | <u>(892)</u> | <u>1,787</u> | <u>38,789</u> | <u>-</u> | <u>(10,190)</u> | <u>-</u> | <u>6,887,820</u> |

**LANCASTER CITY HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
YEAR ENDED SEPTEMBER 30, 2017**

| 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 |
|---|---|-------------------------------|-----------------------------------|---------------------|-----------------------------|--------------------------|---|----------------------------|------------------|--------------------|
| EXPENSES (Continued) | | | | | | | | | | |
| 97200 | Casualty losses - non-capitalized | \$ 2,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (63) | \$ - | \$ 1,937 |
| 97300 | Housing assistance payments | - | 5,827,200 | - | 1,787 | 38,789 | - | - | - | 5,867,776 |
| 97350 | HAP portability - in | - | 213,084 | - | - | - | - | - | - | 213,084 |
| 97400 | Depreciation expense | 809,768 | 4,400 | - | - | - | - | 15,292 | - | 829,460 |
| | Total expenses | <u>4,419,990</u> | <u>6,699,469</u> | <u>3,532</u> | <u>1,855</u> | <u>50,140</u> | <u>34,500</u> | <u>812,390</u> | <u>(764,508)</u> | <u>11,257,368</u> |
| Other financing sources (uses): | | | | | | | | | | |
| 10010 | Operating transfer in | (72,181) | - | - | - | - | - | - | 72,181 | - |
| 10020 | Operating transfer out | 72,181 | - | - | - | - | - | - | (72,181) | - |
| 10091 | Inter program excess cash transfer in | (88,391) | - | - | - | - | - | - | 88,391 | - |
| 10092 | Inter program excess cash transfer out | 88,391 | - | - | - | - | - | - | (88,391) | - |
| | Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES | | | | | | | | | | |
| | | <u>\$ (42,940)</u> | <u>\$ 44,814</u> | <u>\$ (892)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (25,419)</u> | <u>\$ -</u> | <u>\$ (24,437)</u> |
| Memo Account Information | | | | | | | | | | |
| 11020 | Required annual debt principal payments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11030 | Beginning equity | 8,286,552 | 394,483 | 335,265 | - | - | - | 183,662 | - | 9,199,962 |
| 11170 | Administrative fee equity | - | 358,534 | - | - | - | - | - | - | 358,534 |
| 11180 | Housing assistance payments equity | - | 80,763 | - | - | - | - | - | - | 80,763 |
| 11190 | Unit months available | 6,765 | 11,698 | - | 3 | 144 | - | - | - | 18,610 |
| 11210 | Unit months leased | 6,620 | 10,698 | - | 3 | 144 | - | - | - | 17,465 |
| 11270 | Excess cash | 1,723,828 | - | - | - | - | - | - | - | 1,723,828 |
| 11620 | Building purchases | 613,121 | - | - | - | - | - | - | - | 613,121 |
| 11660 | Infrastructure purchases | - | - | - | - | - | - | - | - | - |

**LANCASTER CITY HOUSING AUTHORITY
PROJECT-WIDE BALANCE SHEET SUMMARY
SEPTEMBER 30, 2017**

| Accounts Description | AMP 012 | AMP 034 | AMP 711 | Total |
|---|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash: | | | | |
| Unrestricted | \$ 510,318 | \$ 1,132,189 | \$ 512,248 | \$ 2,154,755 |
| Restricted | - | - | 64,595 | 64,595 |
| Tenant security deposits | 69,351 | 83,815 | 33,959 | 187,125 |
| Total cash | <u>579,669</u> | <u>1,216,004</u> | <u>610,802</u> | <u>2,406,475</u> |
| Accounts and notes receivable: | | | | |
| Accounts receivable - HUD | - | 8,935 | - | 8,935 |
| Accounts receivable - miscellaneous | 1,864 | 950 | 396 | 3,210 |
| Accounts receivable - tenant rents | 5,210 | 3,619 | 808 | 9,637 |
| Allowance for doubtful accounts - tenants | <u>(3,003)</u> | <u>(1,316)</u> | <u>-</u> | <u>(4,319)</u> |
| Total receivables, net | 4,071 | 12,188 | 1,204 | 17,463 |
| Interprogram (due from) | <u>100</u> | <u>83</u> | <u>600</u> | <u>783</u> |
| Total current assets | <u>583,840</u> | <u>1,228,275</u> | <u>612,606</u> | <u>2,424,721</u> |
| NONCURRENT ASSETS | | | | |
| Capital assets: | | | | |
| Land | 119,555 | 171,598 | 58,859 | 350,012 |
| Buildings | 14,349,593 | 15,255,081 | 10,622,625 | 40,227,299 |
| Furniture and equipment | 162,311 | 163,519 | 22,588 | 348,418 |
| Accumulated depreciation | (12,691,764) | (12,131,508) | (10,320,808) | (35,144,080) |
| Infrastructure | <u>321,498</u> | <u>157,075</u> | <u>101,731</u> | <u>580,304</u> |
| Total capital assets, net | 2,261,193 | 3,615,765 | 484,995 | 6,361,953 |
| Total noncurrent assets | <u>2,261,193</u> | <u>3,615,765</u> | <u>484,995</u> | <u>6,361,953</u> |
| TOTAL ASSETS | <u>\$ 2,845,033</u> | <u>\$ 4,844,040</u> | <u>\$ 1,097,601</u> | <u>\$ 8,786,674</u> |

**LANCASTER CITY HOUSING AUTHORITY
PROJECT-WIDE BALANCE SHEET SUMMARY
SEPTEMBER 30, 2017**

| Accounts Description | AMP 012 | AMP 034 | AMP 711 | Total |
|---|---------------------|---------------------|---------------------|---------------------|
| LIABILITIES AND NET POSITION | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable < 90 days | \$ 5,146 | \$ 17,426 | \$ 2,677 | \$ 25,249 |
| Accrued salaries/payroll withholding | 13,676 | 10,922 | 4,128 | 28,726 |
| Accounts payable - other gov. | 37,773 | 54,921 | 13,482 | 106,176 |
| Tenant security deposits | 69,352 | 83,815 | 33,959 | 187,126 |
| Unearned revenue | 365 | 1,450 | 706 | 2,521 |
| Accrued Liabilites- Other | <u>1,864</u> | <u>950</u> | <u>396</u> | <u>3,210</u> |
| Total current liabilities | <u>128,176</u> | <u>169,484</u> | <u>55,348</u> | <u>353,008</u> |
| NONCURRENT LIABILITIES | | | | |
| Accrued comp. absences - long term | <u>84,069</u> | <u>81,658</u> | <u>24,327</u> | <u>190,054</u> |
| Total noncurrent liabilities | <u>84,069</u> | <u>81,658</u> | <u>24,327</u> | <u>190,054</u> |
| Total liabilities | <u>212,245</u> | <u>251,142</u> | <u>79,675</u> | <u>543,062</u> |
| NET POSITION | | | | |
| Net Investment in capital assets, net of related debt | 2,261,193 | 3,615,765 | 484,995 | 6,361,953 |
| Restricted net position | - | - | 64,595 | 64,595 |
| Unrestricted net position | <u>371,595</u> | <u>977,133</u> | <u>468,336</u> | <u>1,817,064</u> |
| Total net position | <u>2,632,788</u> | <u>4,592,898</u> | <u>1,017,926</u> | <u>8,243,612</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 2,845,033</u> | <u>\$ 4,844,040</u> | <u>\$ 1,097,601</u> | <u>\$ 8,786,674</u> |

LANCASTER CITY HOUSING AUTHORITY
PROJECT-WIDE REVENUE AND EXPENSE SUMMARY
YEAR ENDED SEPTEMBER 30, 2017

| Accounts Description | AMP 012 | AMP 034 | AMP 711 | Total |
|------------------------------------|------------------|------------------|----------------|------------------|
| REVENUES | | | | |
| Net tenant rental revenue | \$ 609,669 | \$ 871,916 | \$ 220,005 | \$ 1,701,590 |
| Tenant revenue other | 35,657 | 50,406 | 26,860 | 112,923 |
| Total tenant revenue | <u>645,326</u> | <u>922,322</u> | <u>246,865</u> | <u>1,814,513</u> |
| HUD PHA grants - operating | 824,402 | 580,545 | 416,084 | 1,821,031 |
| HUD PHA grants - capital | 304,352 | 298,976 | 9,793 | 613,121 |
| Investment income- unrestricted | 477 | 581 | 241 | 1,299 |
| Other revenue | 13,233 | 99,735 | 14,094 | 127,062 |
| Investment income - restricted | <u>-</u> | <u>-</u> | <u>24</u> | <u>24</u> |
| Total revenues | <u>1,787,790</u> | <u>1,902,159</u> | <u>687,101</u> | <u>4,377,050</u> |
| EXPENSES | | | | |
| Administrative | | | | |
| Administrative salaries | 126,089 | 120,559 | 43,621 | 290,269 |
| Auditing fees | 5,167 | 5,616 | 3,145 | 13,928 |
| Management fees | 153,168 | 198,630 | 86,745 | 438,543 |
| Bookkeeping fees | 17,528 | 23,888 | 8,258 | 49,674 |
| Advertising and marketing | 707 | 1,441 | 325 | 2,473 |
| Employee benefits - administrative | 54,187 | 52,033 | 17,196 | 123,416 |
| Office expense | 19,598 | 18,818 | 7,063 | 45,479 |
| Legal expense | 2,668 | 682 | 215 | 3,565 |
| Travel expense | 1,446 | 1,273 | 941 | 3,660 |
| Other operating - administrative | <u>17,714</u> | <u>22,027</u> | <u>8,605</u> | <u>48,346</u> |
| Total administrative expense | <u>398,272</u> | <u>444,967</u> | <u>176,114</u> | <u>1,019,353</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 | - | 60,533 | - | 60,533 |
| Employee benefit - tenant services | <u>-</u> | <u>26,126</u> | <u>-</u> | <u>26,126</u> |
| Total tenant services | <u>-</u> | <u>86,659</u> | <u>-</u> | <u>86,659</u> |
| Utilities | | | | |
| Water | 124,347 | 94,356 | 79,678 | 298,381 |
| Electricity | 38,266 | 140,909 | 1,234 | 180,409 |
| Gas | 62,306 | 85,557 | 2,481 | 150,344 |
| Other utilities | <u>7,019</u> | <u>2,189</u> | <u>1,791</u> | <u>10,999</u> |
| Total utilities expense | <u>231,938</u> | <u>323,011</u> | <u>85,184</u> | <u>640,133</u> |

LANCASTER CITY HOUSING AUTHORITY
PROJECT-WIDE REVENUE AND EXPENSE SUMMARY
YEAR ENDED SEPTEMBER 30, 2017

| Accounts Description | AMP 012 | AMP 034 | AMP 711 | Total |
|--|---------------------|---------------------|---------------------|---------------------|
| EXPENSES - continued | | | | |
| Ordinary maintenance and operation | | | | |
| Labor | \$ 305,767 | \$ 228,052 | \$ 118,751 | \$ 652,570 |
| Materials | 92,238 | 73,297 | 35,939 | 201,474 |
| Contracts | 106,226 | 153,884 | 82,620 | 342,730 |
| Employee benefit contributions | 131,405 | 98,427 | 46,815 | 276,647 |
| Total ordinary maintenance & operation | <u>635,636</u> | <u>553,660</u> | <u>284,125</u> | <u>1,473,421</u> |
| Insurance premiums | | | | |
| Property insurance | 26,271 | 28,434 | 20,139 | 74,844 |
| Liability insurance | 6,023 | 3,518 | 3,494 | 13,035 |
| Workmen's compensation | 24,562 | 17,300 | 9,208 | 51,070 |
| Insurance - other | 36,625 | 4,457 | 4,277 | 45,359 |
| Total insurance premiums | <u>93,481</u> | <u>53,709</u> | <u>37,118</u> | <u>184,308</u> |
| General expenses | | | | |
| Other general expenses | - | 1,038 | - | 1,038 |
| Compensated absences | 10,074 | - | - | 10,074 |
| Payments in lieu of taxes | 37,773 | 54,921 | 13,483 | 106,177 |
| Bad debt - tenant rents | 8,760 | 1,459 | 9,160 | 19,379 |
| Total general expenses | <u>56,607</u> | <u>57,418</u> | <u>22,643</u> | <u>136,668</u> |
| Total operating expense | <u>1,439,814</u> | <u>1,551,824</u> | <u>616,584</u> | <u>3,608,222</u> |
| Excess operating expense | <u>347,976</u> | <u>350,335</u> | <u>70,517</u> | <u>768,828</u> |
| Other expenses | | | | |
| Casualty losses- non-capitalized | 1,000 | - | 1,000 | 2,000 |
| Depreciation expense | 266,784 | 433,320 | 109,664 | 809,768 |
| Total other expenses | <u>267,784</u> | <u>433,320</u> | <u>110,664</u> | <u>811,768</u> |
| Total expenses | <u>1,707,598</u> | <u>1,985,144</u> | <u>727,248</u> | <u>4,419,990</u> |
| TRANSFERS | | | | |
| Operating transfer in | 72,181 | - | - | 72,181 |
| Operating transfer out | (72,181) | - | - | (72,181) |
| Inter project excess cash transfer in | 88,391 | - | - | 88,391 |
| Inter project excess cash transfer out | - | (88,391) | - | (88,391) |
| Total transfers | <u>88,391</u> | <u>(88,391)</u> | <u>-</u> | <u>-</u> |
| Excess of revenue over expenses | 168,583 | (171,376) | (40,147) | (42,940) |
| Beginning net position | <u>2,464,205</u> | <u>4,764,274</u> | <u>1,058,073</u> | <u>8,286,552</u> |
| Ending net position | <u>\$ 2,632,788</u> | <u>\$ 4,592,898</u> | <u>\$ 1,017,926</u> | <u>\$ 8,243,612</u> |

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), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 20, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free 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

Board of Directors
Lancaster City Housing Authority

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.

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

CliftonLarsonAllen LLP

Baltimore, Maryland
February 20, 2018

**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, 2017. 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, 2017.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



CliftonLarsonAllen LLP

Baltimore, Maryland
February 20, 2018

**LANCASTER CITY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2017**

| Federal Grantor/ Pass through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|--|---------------------------|---|---------------------------------------|----------------------------|
| Department of Housing and Urban Development | | | | |
| Direct Programs | | | | |
| Shelter Plus Care | 14.238 | - | \$ - | \$ 1,855 |
| Family Self-Sufficiency Program | 14.896 | - | - | 34,500 |
| Public and Indian Housing | 14.850 | - | - | 1,540,126 |
| Section 8 Housing Choice Vouchers | 14.871 | - | - | 6,699,469 |
| Section 8 Moderate Rehabilitation Single Room Occupancy | 14.249 | - | - | 50,140 |
| Public Housing Capital Fund Program | 14.872 | - | - | 894,026 |
| Total Department of Housing and Urban Development Direct Programs | | | | <u>9,220,116</u> |
| Total Expenditures of Federal Awards | | | | <u><u>\$ 9,220,116</u></u> |

See accompanying Notes to the Schedule.

LANCASTER CITY HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2017

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, 2017. 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, 2017.

**LANCASTER CITY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2017**

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? X yes _____ 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) | Name of Federal Program or Cluster |
|-----------------------|---|
| 14.850 | Public and Indian Housing |
| 14.872 | Public Housing Capital Fund |

- 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, 2017**

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

2017-001

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Public and Indian Housing
CFDA: 14.850
Award Period: 10/1/2016 – 9/30/2017
Type of Finding: Significant Deficiency

Criteria or specific requirement: 24 CFR section 960.259 states that for both family income examinations and reexaminations, obtain and document in the family file third-party verification of: (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent. 24 CFR sections 5.601 et seq., and 24 CFR sections 960.253, 960.255, and 960.259 state that the Authority should determine income eligibility and calculate the tenant's rent payment using the documentation from third-party verification in accordance with 24 CFR part 5, subpart F. 24 CFR sections 960.253, 960.257, and 960.259 states that the Authority must reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third-party verification.

Condition: During our testing, we noted the Authority did not follow their internal controls designed to ensure compliance with tenant eligibility requirements.

Questioned Costs: Unable to determine.

Context:

Testing of 40 Public Housing files selected for Eligibility testing noted exceptions in 7 files which included the following:

- 1 file did not have proper support for assets
- 2 files did not have proper support for expenses
- In total, 3 files had incorrectly calculated rent due to missing/incorrect information
- 4 files did not have a recertification performed annually

Cause: Due to numerous staffing changes this past year, there was a period of four to five months where there was no consistent clerical support at the site offices. The managers continued to handle their management duties as well as the clerical duties. Unfortunately, with the large workload a few errors occurred. As of September, clerical support has been hired. One of them will be attending outside rent calculation training to supplement the in-house training she has received. Also, the recertifications were late due to the resident not attending the set appointment in a timely manner or due to the verifications not being received in a timely manner.

**LANCASTER CITY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2017**

Effect: The Authority is not in compliance with federal regulations regarding eligibility. The amount of tenant rent could be incorrect based on missing or inaccurate information.

Repeat Finding: No

Recommendation: We recommend that the Authority review their recertification process to ensure recertifications are performed timely and the information used to calculate tenant rent is accurate.

Views of responsible officials: There is no disagreement with the audit finding.

Section IV – Prior Year Findings

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



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Department of Housing and Urban Development

The Lancaster City Housing Authority respectfully submits the following corrective action plan for the year ended September 30, 2017.

Audit period: October 1, 2016 – September 30, 2017

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FEDERAL AWARD PROGRAMS AUDIT

2017-001 Public and Indian Housing – CFDA No. 14.850

Recommendation: We recommend that the Authority review their recertification process to ensure recertifications are performed timely and the information used to calculate tenant rent is accurate.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Three members of PH staff are scheduled for additional training in April. Clerical support was hired in September 2017 and that new employee will be taking rent calculation training. In the future, if the resident is late attending the appointment and/or the verifications are returned later than needed, we will complete the annual with the existing information and then an interim the following month with the correct rent.

Name of contact person responsible for corrective action plan: Beth Detz

Planned completion date for corrective action plan: Most items will take effect immediately. The training of staff will be completed in April and another future date that hasn't been scheduled yet.