

LANCASTER CITY HOUSING AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

**LANCASTER CITY HOUSING AUTHORITY
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2019**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	9
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	10
STATEMENT OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS	12
SUPPLEMENTAL INFORMATION	
ENTITY-WIDE BALANCE SHEET SUMMARY	21
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY	23
PROJECT-WIDE BALANCE SHEET SUMMARY	26
PROJECT-WIDE REVENUE AND EXPENSE SUMMARY	28
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 <i>GOVERNMENT AUDITING STANDARDS</i>	31
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	33
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	35
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	37



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, 2019, 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, 2019, 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.

Board of Directors
Lancaster City Housing Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2020 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 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Baltimore, Maryland
May 21, 2020

**LANCASTER CITY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

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, 2019. 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, 2019 by \$8,912,426 (net position).
- The Authority's unrestricted cash balance as of September 30, 2019 was \$3,195,047, representing an increase of \$152,870 from the prior year.
- The Authority had \$1,969,552 in tenant revenue, \$8,705,358 in HUD PHA Operating Grants, and \$353,450 of HUD Capital Grants for the year ended September 30, 2019.

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 nonoperating revenues by major source along with operating and nonoperating 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, 2019**

The attached analysis of net position, revenues, and expenses is provided to assist with overview and analysis of the financial activities of the Authority. 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

	2019	2018	Total Change	% Change
Assets				
Cash and Cash Equivalents	\$ 3,626,274	\$ 3,436,732	\$ 189,542	5.52%
Other Current Assets	391,793	293,125	98,668	33.66%
Capital Assets	5,596,737	5,928,982	(332,245)	(5.60)%
Total Assets	<u>\$ 9,614,804</u>	<u>\$ 9,658,839</u>	<u>\$ (44,035)</u>	<u>(0.46)%</u>
Liabilities				
Current Liabilities	\$ 446,372	\$ 413,247	\$ 33,125	8.02%
Noncurrent Liabilities	256,006	346,617	(90,611)	(26.14)%
Total Liabilities	<u>702,378</u>	<u>759,864</u>	<u>(57,486)</u>	<u>(7.57)%</u>
Net Position				
Net Investment in Capital Assets	5,596,737	5,928,982	(332,245)	(5.60)%
Restricted Net Position	167,213	159,238	7,975	5.01%
Unrestricted Net Position	3,148,476	2,810,755	337,721	12.02%
Total Net Position	<u>8,912,426</u>	<u>8,898,975</u>	<u>13,451</u>	<u>0.15%</u>
Total Liabilities and Net Position	<u>\$ 9,614,804</u>	<u>\$ 9,658,839</u>	<u>\$ (44,035)</u>	<u>(0.46)%</u>

Analysis of Net Position

Total Assets for the years ended September 30, 2019 and 2018, were \$9,614,804 and \$9,658,839, respectively. This represents a net decrease of \$44,035 over the prior year.

Current Assets increased by \$288,210 from the prior year. This increase is primarily due to an increase in cash as a result of an operational net profit; along with the accrual of a Capital Fund Program receivable for costs incurred in fiscal year 2019 but drawn subsequently.

**LANCASTER CITY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

Net Capital Assets decreased by \$332,245 from the prior year due to current year depreciation expense exceeding fixed asset additions.

	2019	2018	Total Change	% Change
Land	\$ 350,012	\$ 350,012	\$ -	0.00%
Infrastructure	820,630	820,630	-	0.00%
Buildings and Improvements	40,666,104	40,312,654	353,450	0.88%
Furniture, Equipment, and Machinery	609,214	609,214	-	0.00%
	<u>42,445,960</u>	<u>42,092,510</u>	<u>353,450</u>	<u>0.84%</u>
Less: Accumulated Depreciation	(36,849,223)	(36,163,528)	(685,695)	1.90%
Net Capital Assets	<u>\$ 5,596,737</u>	<u>\$ 5,928,982</u>	<u>\$ (332,245)</u>	<u>-5.60%</u>

Current liabilities increased \$33,125 for the year ended September 30, 2019. The increase is the result of higher accounts payable, payroll, and prepaid rent accruals, which are off-set by a decrease in the PILOT accrual due to a lower negotiated percentage.

Statement of Revenues, Expenses, and Change in Net Position

	2019	2018	Total Change	% Change
Revenues				
Tenant Revenue	\$ 1,969,552	\$ 1,823,785	\$ 145,767	7.99%
HUD PHA Grants	8,705,358	8,370,180	335,178	4.00%
Capital Grants	353,450	325,682	27,768	8.53%
Investment Income	24,170	15,804	8,366	52.94%
Gain on Sale of Fixed Assets	-	7,000	(7,000)	100.00%
Other Income	401,830	392,627	9,203	2.34%
Total Revenues	<u>11,454,360</u>	<u>10,935,078</u>	<u>519,282</u>	<u>4.75%</u>
Expenses				
Administrative	1,690,900	1,595,383	95,517	5.99%
Tenant Services	64,338	69,560	(5,222)	(7.51)%
Utilities	666,612	668,758	(2,146)	(0.32)%
Maintenance and Operations	1,713,934	1,505,067	208,867	13.88%
Protective Services	-	4,941	(4,941)	(100.00)%
General Expenses	349,519	415,458	(65,939)	(15.87)%
Housing Assistance Payments	6,269,911	6,110,916	158,995	2.60%
Depreciation Expense	685,695	841,545	(155,850)	(18.52)%
Total Expenses	<u>11,440,909</u>	<u>11,211,628</u>	<u>229,281</u>	<u>2.05%</u>
Change in Net Position	13,451	(276,550)	290,001	(104.86)%
Beginning Net Position	<u>8,898,975</u>	<u>9,175,525</u>	<u>(276,550)</u>	<u>(3.01)%</u>
Ending Net Position	<u>\$ 8,912,426</u>	<u>\$ 8,898,975</u>	<u>\$ 13,451</u>	<u>0.15%</u>

**LANCASTER CITY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

Analysis of Revenues

Total Revenues for the years ended September 30, 2019 and 2018 were \$11,454,360 and \$10,935,078, respectively. The Authority administers the following programs and the revenues generated from these programs for the year ended September 30, 2019 as follows:

Central Office Cost Center	\$ 33,468
Low Rent Public Housing (AMPs)	4,413,114
Section 8 Housing Choice Voucher	6,923,383
Section 8 Moderate Rehabilitation SRO	48,184
Business Activities	5,842
Family Self-Sufficiency	28,000
State/Local	1,361
Blended Component Units	1,008
Total Revenues	<u>\$ 11,454,360</u>

Total Tenant Revenue increased by \$145,767 from the previous fiscal year as a result of an increase in units months leased.

HUD PHA Grants increased \$335,178 in 2019 due to an increase in HAP funding; along with additional Capital Fund Program grant draws.

Capital Grants increased \$27,768 for the year ended September 30, 2019 due to improvement work items accrued at year end.

Analysis of Expenses

Total Expenses increased by \$229,281 for the year ended September 30, 2019 as compared to the year ended September 30, 2018.

Administrative expenses increased \$95,517 in 2019 due to changes in staffing coupled with salary increases, along with an increase in capital fund soft costs for physical needs and development planning costs.

Maintenance and operations expenses increased \$208,867 in 2019 due to additional repairs and maintenance work performed on the scattered sites units, as well as increased trash fees and plumbing costs at the other properties.

General expenditures decreased by \$65,939, due primarily to a negotiated change in the PILOT percentage.

Housing Assistance Payments (HAP) increased by \$158,995 because of combination of rent increases to landlords and lower income families leased.

**LANCASTER CITY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

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, 2020:

1. The uncertainty of adequate HUD funded subsidies especially in the midst of the coronavirus pandemic.
2. The funding of the Housing Choice Voucher program for 2020 is based on 2019 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, 2019**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents - Unrestricted	\$ 3,195,047
Cash and Cash Equivalents - Restricted	431,227
Accounts Receivable, Net	104,923
Investments - Restricted	64,611
Prepaid Expenses	124,417
Inventories	97,842
Total Current Assets	4,018,067

NONCURRENT ASSETS

Capital Assets, Net	5,596,737
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Total Assets	\$ 9,614,804
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 35,383
Accrued Wages/Payroll Taxes	110,086
Accounts Payable - HUD	864
Accounts Payable - Other Government	61,441
Accrued Compensated Absences - Current Portion	8,417
Accrued Liabilities	7,859
Tenant Security Deposits	208,482
Unearned Revenues	13,840
Total Current Liabilities	446,372

NONCURRENT LIABILITIES

Accrued Compensated Absences	143,008
Other Noncurrent Liabilities	112,998
Total Noncurrent Liabilities	256,006

Total Liabilities	702,378
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NET POSITION

Net Investment in Capital Assets	5,596,737
Restricted	167,213
Unrestricted	3,148,476
Total Net Position	8,912,426

Total Liabilities and Net Position	\$ 9,614,804
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LANCASTER CITY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2019

OPERATING REVENUES	
Tenant Dwelling Rental	\$ 1,879,284
Other Tenant Rental	90,268
Total Tenant Income	<u>1,969,552</u>
HUD Grants - Noncapital	8,705,358
Other Income	401,830
Total Operating Revenues	<u>11,076,740</u>
OPERATING EXPENSES	
Administrative	1,690,900
Tenant Services	64,338
Utilities	666,612
Maintenance and Operations	1,624,590
Protective Services	-
General Expense	349,519
Housing Assistance and Portability Payments	6,269,911
Depreciation Expense	685,695
Total Operating Expenses	<u>11,351,565</u>
Net Loss from Operations	<u>(274,825)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment Income	24,170
Extraordinary Maintenance	(89,344)
Total Nonoperating Revenues (Expenses)	<u>(65,174)</u>
Net Loss Before Capital Contributions	(339,999)
HUD Grants - Capital	<u>353,450</u>
INCREASE IN NET POSITION	13,451
Net Position - Beginning of Year	<u>8,898,975</u>
NET POSITION - END OF YEAR	<u><u>\$ 8,912,426</u></u>

See accompanying Notes to Financial Statement

**LANCASTER CITY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 1,894,171
Governmental Grants and Subsidiary - Operations	8,705,358
Cash Received from Other Sources	401,830
Payments to Suppliers for Operations	(680,504)
Payments for Housing Operations and Tenant Services	(1,297,149)
Housing Assistance Payments	(6,269,911)
Payments to Employees	(2,465,343)
Casualty Losses - Noncapitalized	(33,736)
Net Cash Provided by Operating Activities	<u>254,716</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	24,170
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Grant Revenue - Capital Grants	353,450
Extraordinary Maintenance	(89,344)
Acquisition of Capital Assets	(353,450)
Net Cash Used by Capital and Related Financing Activities	<u>(89,344)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

189,542

Cash and Cash Equivalents - Beginning of Year

3,436,732

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 3,626,274

REPORTED AS:

Cash and Cash Equivalents - Unrestricted	\$ 3,195,047
Cash and Cash Equivalents - Restricted	431,227
Total Cash - End of Year	<u>\$ 3,626,274</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Loss from Operations	\$ (274,825)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	685,695
Bad Debt Expense (Tenants)	7,263
Effects of Changes in Operating Assets and Liabilities:	
Accounts Receivable	(91,261)
Prepaid Expenses	(7,823)
Inventories	(6,847)
Accounts Payable	(35,362)
Accrued Wages/Payroll Taxes	45,589
Accrued Liabilities	(1,403)
Unearned Revenue	11,071
Compensated Absences	(99,001)
Tenant Security Deposits	8,617
Other Noncurrent Liabilities	13,003
Net Cash Provided by Operating Activities	<u>\$ 254,716</u>

See accompanying Notes to Financial Statement

LANCASTER CITY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, there is one additional entity included in the accompanying basic financial statements.

LANCASTER CITY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Partners with Purpose (PWP)

The Corporation is incorporated exclusively for charitable and educational purposes as defined in Section 501(c)(3) of the Internal Revenue Code, including, without limitation to, foster the development and growth of low income affordable housing within the greater Lancaster County, Pennsylvania community and to enhance the lives of individuals living in poverty. The Corporation is organized on a non-stock, non-member basis. PWP was formed on April 30, 2019.

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.

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.

LANCASTER CITY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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.

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 nonoperating 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 nonoperating 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.

Nonexchange 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.

LANCASTER CITY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2019, 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

Accounting principles generally accepted in the United States of America 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.

**LANCASTER CITY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 acquisition 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 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 to 40 years
Furniture, Equipment, and Machinery	3 to 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.

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, 2019, cash and cash equivalents consisted of deposits with financial institutions that were fully insured by Federal Deposit Insurance Corporation (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 \$3,690,855 and bank balances of \$3,787,682 at September 30, 2019.

**LANCASTER CITY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at September 30, 2019:

Tenant Receivable, Less Allowance for Doubtful Accounts of \$8,466	\$	5,732
Accounts Receivable - HUD		81,870
Accounts Receivable - Other Government		529
Accounts Receivable - Other		7,958
Accounts Receivable - Fraud Recovery, Less Allowance for Doubtful Accounts of \$70,412		8,834
Net Accounts Receivable	<u>\$</u>	<u>104,923</u>

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance October 1, 2018	Additions	Deletions	Balance September 30, 2019
Historical Cost:				
Capital Assets not Being Depreciated:				
Land	\$ 350,012	\$ -	\$ -	\$ 350,012
Capital Assets Being Depreciated:				
Infrastructure	820,630	-	-	820,630
Buildings and Improvements	40,312,654	353,450	-	40,666,104
Furniture, Equipment, and Machinery	609,214	-	-	609,214
Total Cost	<u>41,742,498</u>	<u>353,450</u>	<u>-</u>	<u>42,095,948</u>
Accumulated Depreciation:				
Infrastructure	425,748	41,626	-	467,374
Buildings and Improvements	35,268,594	597,388	-	35,865,982
Furniture, Equipment, and Machinery	469,186	46,681	-	515,867
Total Accumulated Depreciation	<u>36,163,528</u>	<u>685,695</u>	<u>-</u>	<u>36,849,223</u>
Net Capital Assets Being Depreciated	<u>5,578,970</u>	<u>(332,245)</u>	<u>-</u>	<u>5,246,725</u>
Net Capital Assets	<u>\$ 5,928,982</u>	<u>\$ (332,245)</u>	<u>\$ -</u>	<u>\$ 5,596,737</u>

NOTE 5 COMPENSATED ABSENCES

A summary of total compensated absences as of September 30, 2019, is as follows:

Balance October 1, 2018	Additions	Used	Balance September 30, 2019	Current Portion
<u>\$ 250,426</u>	<u>\$ 45,504</u>	<u>\$ 144,505</u>	<u>\$ 151,425</u>	<u>\$ 8,417</u>

**LANCASTER CITY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 6 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, 2019, were \$159,678 and \$278,210, 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:

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

All employees who attain age 62 become fully vested.

NOTE 7 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, 2019.

The following is a summary of the activity in the plan for the year ended September 30, 2019:

Plan Assets (At Market) - October 1, 2018	\$	968,502
Employee Contributions		73,000
Investment Gain, Net of Fees		21,009
Benefits Paid		<u>(231,209)</u>
Plan Assets (at Market) - September 30, 2019	\$	<u><u>831,302</u></u>

LANCASTER CITY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8 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 9 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 10 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.

NOTE 11 FUTURE ACCOUNTING PRONOUNCEMENTS

GASB routinely issues standards that will become effective in future years. The following is a list of standards that have been issued that management has determined may have an impact on future financial statements of the Authority. Management is currently evaluating the specific impact of these standards.

GASB Statement No. 87, *Leases* is required to be implemented for the fiscal year ended September 30, 2022. The primary objective of this statement is to better meet the information needs of financial statement users by improving the accounting and financial reporting for leases by governments.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* is required to be implemented for the fiscal year ended September 30, 2020. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* is required to be implemented for the fiscal year ended September 30, 2022. The primary objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

LANCASTER CITY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, included the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, every jurisdiction in the U.S. has declared a state of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts on the Housing Authority may include disruptions or restrictions on employee's ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications, and maintenance. Changes in the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making pre COVID-19 rent payments as a result of job loss or other pandemic related issues. A third coronavirus (COVID-19) relief bill has passed the Senate and the House, been signed by the President in March 27, 2020. The relief bill includes additional funds for Public and Indian Housing, Community Planning and Development, and Office of Housing Programs. The U.S. Department of Housing and Urban Development has issued Notice PIH 2020-5 "COVID-19 Statutory and Regulatory Waivers for Public Housing, Housing Choice Voucher, Indian Block Grant and Indian Community Development Block Grant Programs, Suspension of Public Housing Assessment System and Section Eight Management Assessment Program." The Housing Authority will implement all applicable Waivers identified in the Notice that are appropriate and necessary for operations and in the best interests of the residents and the participants served. The future effects of these issues are unknown.

**LANCASTER CITY HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
SEPTEMBER 30, 2019**

Line Item #	Accounts Description	Low-Rent Public Hsg 14.850	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab 14.856	State/Local 14.857	Family Self- Sufficiency Program 14.896	Central Office Cost Center	Blended Component Units	Elimination	Total
ASSETS											
CURRENT ASSETS											
Cash:											
111	Unrestricted	\$ 2,445,074	\$ 443,543	\$ 291,681	\$ -	\$ -	\$ -	\$ 14,749	\$ -	\$ -	\$ 3,195,047
113	Other restricted	502	221,379	-	-	-	-	-	-	-	221,881
114	Tenant security deposits	208,482	-	-	-	-	-	-	-	-	208,482
115	Cash - restricted for payment of current liability	-	-	-	864	-	-	-	-	-	864
	Total cash	2,654,058	664,922	291,681	864	-	-	14,749	-	-	3,626,274
Accounts and notes receivable:											
122	Accounts receivable - HUD	79,537	-	-	-	-	2,333	-	-	-	81,870
124	Accounts receivable - other government	-	-	-	-	-	-	529	-	-	529
125	Accounts receivable - miscellaneous	4,232	-	-	-	-	-	886	1,008	-	6,126
126	Accounts receivable - tenants rents	14,198	-	-	-	-	-	-	-	-	14,198
126.1	Allowance for doubtful accounts - tenants	(8,466)	-	-	-	-	-	-	-	-	(8,466)
128	Accounts receivable - fraud recovery	-	79,246	-	-	-	-	-	-	-	79,246
128.1	Allowance for doubtful accounts - fraud	-	(70,412)	-	-	-	-	-	-	-	(70,412)
129	Accrued interest receivable	1,832	-	-	-	-	-	-	-	-	1,832
	Total receivables, net	91,333	8,834	-	-	-	2,333	1,415	1,008	-	104,923
132	Investments - restricted	64,611	-	-	-	-	-	-	-	-	64,611
142	Prepaid expenses and other assets	-	-	-	-	-	-	124,417	-	-	124,417
143	Inventories	-	-	-	-	-	-	97,842	-	-	97,842
144	Interprogram due from	1,900	-	45,609	-	8,640	-	12,585	-	(68,734)	-
	Total current assets	2,811,902	673,756	337,290	864	8,640	2,333	251,008	1,008	(68,734)	4,018,067
NONCURRENT ASSETS											
Capital assets:											
161	Land	350,012	-	-	-	-	-	-	-	-	350,012
162	Buildings	40,666,104	-	-	-	-	-	-	-	-	40,666,104
164	Furniture and equipment	351,608	35,861	-	-	-	-	221,745	-	-	609,214
166	Accumulated depreciation	(36,618,621)	(27,061)	-	-	-	-	(203,541)	-	-	(36,849,223)
168	Infrastructure	820,630	-	-	-	-	-	-	-	-	820,630
	Total capital assets, net	5,569,733	8,800	-	-	-	-	18,204	-	-	5,596,737
	Total noncurrent assets	5,569,733	8,800	-	-	-	-	18,204	-	-	5,596,737
	Total Assets	\$ 8,381,635	\$ 682,556	\$ 337,290	\$ 864	\$ 8,640	\$ 2,333	\$ 269,212	\$ 1,008	\$ (68,734)	\$ 9,614,804

LANCASTER CITY HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY (CONTINUED)
SEPTEMBER 30, 2019

Line Item #	Accounts Description	Low-Rent Public Hsg 14.850	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab 14.856	State and Local	Family Self- Sufficiency Program 14.896	Central Office Cost Center	Blended Component Units	Elimination	Total
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES											
312	Accounts payable < 90 days	\$ 29,448	\$ 933	\$ -	\$ -	\$ -	\$ -	\$ 5,002	\$ -	\$ -	\$ 35,383
321	Accrued salaries/payroll withholding	41,984	7,885	-	-	-	-	60,217	-	-	110,086
322	Accrued compensated absences	8,417	-	-	-	-	-	-	-	-	8,417
331	Accounts payable - HUD PHA programs	-	-	-	864	-	-	-	-	-	864
333	Accounts payable - other gov.	61,441	-	-	-	-	-	-	-	-	61,441
341	Tenant security deposits	208,482	-	-	-	-	-	-	-	-	208,482
342	Unearned revenue	5,200	-	-	-	8,640	-	-	-	-	13,840
346	Accrued liabilities - other	4,232	3,627	-	-	-	-	-	-	-	7,859
347	Interprogram (due to)	59,366	-	-	-	-	2,333	-	7,035	(68,734)	-
	Total current liabilities	418,570	12,445	-	864	8,640	2,333	65,219	7,035	(68,734)	446,372
NONCURRENT LIABILITIES											
353	Noncurrent liabilities - other	-	112,998	-	-	-	-	-	-	-	112,998
354	Accrued comp. absences - long term	90,236	23,006	-	-	-	-	29,766	-	-	143,008
	Total noncurrent liabilities	90,236	136,004	-	-	-	-	29,766	-	-	256,006
	Total liabilities	508,806	148,449	-	864	8,640	2,333	94,985	7,035	(68,734)	702,378
NET POSITION											
508.4	Invested in capital assets, net of related debt	5,569,733	8,800	-	-	-	-	18,204	-	-	5,596,737
511.4	Restricted net position	65,113	102,100	-	-	-	-	-	-	-	167,213
512.4	Unrestricted net position	2,237,983	423,207	337,290	-	-	-	156,023	(6,027)	-	3,148,476
	Total net position	7,872,829	534,107	337,290	-	-	-	174,227	(6,027)	-	8,912,426
	Total Liabilities and Net Position	\$ 8,381,635	\$ 682,556	\$ 337,290	\$ 864	\$ 8,640	\$ 2,333	\$ 269,212	\$ 1,008	\$ (68,734)	\$ 9,614,804

**LANCASTER CITY HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
YEAR ENDED SEPTEMBER 30, 2019**

Line Item #	Accounts Description	Low-Rent Public Hsg 14.850	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab 14.856	State/Local	Family Self- Sufficiency Program 14.896	Central Office Cost Center	Blended Component Units	Elimination	Total
REVENUE											
70300	Net tenant rental revenue	\$ 1,879,284	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,879,284
70400	Tenant revenue - other	90,268	-	-	-	-	-	-	-	-	90,268
70500	Total tenant revenue	1,969,552	-	-	-	-	-	-	-	-	1,969,552
70600	HUD PHA operating grants	1,895,796	6,733,378	-	48,184	-	28,000	-	-	-	8,705,358
70610	Capital grants	353,450	-	-	-	-	-	-	-	-	353,450
70710	Management fee	-	-	-	-	-	-	581,328	-	(581,328)	-
70720	Asset management fee	-	-	-	-	-	-	67,680	-	(67,680)	-
70730	Bookkeeping fee	-	-	-	-	-	-	127,208	-	(127,208)	-
71100	Investment income - unrestricted	3,644	2,268	5,842	-	1,361	-	11,055	-	-	24,170
71400	Fraud recovery	-	8,608	-	-	-	-	-	-	-	8,608
71500	Other revenue	190,672	179,129	-	-	-	-	22,413	1,008	-	393,222
	Total revenue	4,413,114	6,923,383	5,842	48,184	1,361	28,000	809,684	1,008	(776,216)	11,454,360
EXPENSES											
Administrative:											
91100	Administrative salaries	233,002	204,205	-	7,939	-	20,429	416,865	-	-	882,440
91200	Auditing fees	14,400	3,300	-	300	-	-	4,500	-	-	22,500
91300	Management fee	450,278	131,050	-	-	-	-	-	-	(581,328)	-
91310	Bookkeeping fee	49,980	77,228	-	-	-	-	-	-	(127,208)	-
91400	Advertising and marketing	-	-	-	-	-	-	750	-	-	750
91500	Employee benefit contributions - administrative	133,310	98,610	-	3,572	-	7,571	193,413	-	-	436,476
91600	Office expenses	50,561	26,210	-	-	-	-	48,722	-	-	125,493
91700	Legal expense	-	-	-	-	-	-	10,133	4,368	-	14,501
91800	Travel	7,061	2,273	-	-	-	-	11,346	-	-	20,680
91900	Other	102,500	15,718	-	-	847	-	68,995	-	-	188,060
	Total administrative	1,041,092	558,594	-	11,811	847	28,000	754,724	4,368	(708,536)	1,690,900
92000	Asset management fee	67,680	-	-	-	-	-	-	-	(67,680)	-
Tenant services:											
92100	Salaries	45,459	-	-	-	-	-	-	-	-	45,459
92300	Employee benefit contributions	17,245	-	-	-	-	-	-	-	-	17,245
92400	Other	376	744	-	-	514	-	-	-	-	1,634
	Total tenant services	63,080	744	-	-	514	-	-	-	-	64,338

LANCASTER CITY HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2019

Line Item #	Accounts Description	Low-Rent Public Hsg 14.850	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab 14.856	State/Local	Family Self- Sufficiency Program 14.896	Central Office Cost Center	Blended Component Units	Elimination	Total
EXPENSES (Continued)											
Utilities:											
93100	Water	\$ 314,773	\$ 768	\$ -	\$ -	\$ -	\$ -	\$ 1,022	\$ -	\$ -	\$ 316,563
93200	Electricity	174,866	4,040	-	-	-	-	8,093	-	-	186,999
93300	Gas	138,250	697	-	-	-	-	1,397	-	-	140,344
93800	Other utilities expense	22,576	56	-	-	-	-	74	-	-	22,706
	Total utilities	650,465	5,561	-	-	-	-	10,586	-	-	666,612
Ordinary maintenance and operations:											
94100	Labor	708,693	-	-	-	-	-	-	-	-	708,693
94200	Materials and other	218,488	679	-	-	-	-	2,105	-	-	221,272
94300	Contracts	338,076	10,069	-	-	-	-	22,195	2,667	-	373,007
94500	Employee benefits contribution	321,618	-	-	-	-	-	-	-	-	321,618
	Total ordinary maintenance and operations	1,586,875	10,748	-	-	-	-	24,300	2,667	-	1,624,590
Insurance premiums:											
96110	Property insurance	80,999	-	-	-	-	-	-	-	-	80,999
96120	Liability insurance	14,372	5,073	-	-	-	-	594	-	-	20,039
96130	Workmen's compensation	40,359	383	-	-	-	-	2,991	-	-	43,733
96140	All other insurance	55,737	8,889	-	-	-	-	4,862	-	-	69,488
96100	Total Insurance premiums	191,467	14,345	-	-	-	-	8,447	-	-	214,259
General expenses:											
96200	Other general expenses	1,719	21,367	3,400	-	-	-	6,333	-	-	32,819
96300	Payments in lieu of taxes	61,442	-	-	-	-	-	-	-	-	61,442
96400	Bad debt - tenant rents	7,263	-	-	-	-	-	-	-	-	7,263
	Total general expenses	70,424	21,367	3,400	-	-	-	6,333	-	-	101,524
	Total operating expenses	3,671,083	611,359	3,400	11,811	1,361	28,000	804,390	7,035	(776,216)	4,362,223
	Excess of operating revenue over operating expenses	742,031	6,312,024	2,442	36,373	-	-	5,294	(6,027)	-	7,092,137

**LANCASTER CITY HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2019**

Line Item #	Accounts Description	Low-Rent Public Hsg 14.850	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab 14.856	State/Local	Family Self- Sufficiency Program 14.896	Central Office Cost Center	Blended Component Units	Elimination	Total
EXPENSES (Continued)											
97100	Extraordinary maintenance	\$ 89,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,344
97200	Casualty losses - noncapitalized	33,736	-	-	-	-	-	-	-	-	33,736
97300	Housing assistance payments	-	6,070,736	-	36,373	-	-	-	-	-	6,107,109
97350	HAP portability - in	-	162,802	-	-	-	-	-	-	-	162,802
97400	Depreciation expense	666,594	4,400	-	-	-	-	14,701	-	-	685,695
	Total expenses	<u>4,460,757</u>	<u>6,849,297</u>	<u>3,400</u>	<u>48,184</u>	<u>1,361</u>	<u>28,000</u>	<u>819,091</u>	<u>7,035</u>	<u>(776,216)</u>	<u>11,440,909</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES											
		<u>\$ (47,643)</u>	<u>\$ 74,086</u>	<u>\$ 2,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,407)</u>	<u>\$ (6,027)</u>	<u>\$ -</u>	<u>\$ 13,451</u>
Memo Account Information											
11020	Required annual debt principal payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning equity	7,920,472	460,021	334,848	-	-	-	183,634	-	-	8,898,975
11170	Administrative fee equity	-	432,007	-	-	-	-	-	-	-	432,007
11180	Housing assistance payments equity	-	102,100	-	-	-	-	-	-	-	102,100
11190	Unit months available	6,765	11,289	-	144	-	-	-	-	-	18,198
11210	Unit months leased	6,661	10,299	-	132	-	-	-	-	-	17,092
11270	Excess cash	2,039,586	-	-	-	-	-	-	-	-	2,039,586
11620	Building purchases	353,450	-	-	-	-	-	-	-	-	353,450

**LANCASTER CITY HOUSING AUTHORITY
PROJECT-WIDE BALANCE SHEET SUMMARY
SEPTEMBER 30, 2019**

Accounts Description	AMP 012	AMP 034	AMP 711	Total
ASSETS				
CURRENT ASSETS				
Cash:				
Unrestricted	\$ 513,635	\$ 1,405,250	\$ 526,189	\$ 2,445,074
Restricted	-	502	-	502
Tenant Security Deposits	77,822	93,293	37,367	208,482
Total cash	<u>591,457</u>	<u>1,499,045</u>	<u>563,556</u>	<u>2,654,058</u>
Accounts and notes receivable:				
Accounts receivable - HUD	26,712	28,967	23,858	79,537
Accounts receivable - miscellaneous	1,450	921	1,861	4,232
Accounts receivable - tenant rents	5,842	6,785	1,571	14,198
Allowance for doubtful accounts - tenants	(1,130)	(6,236)	(1,100)	(8,466)
Accrued interest receivable	-	-	1,832	1,832
Total receivables, net	<u>32,874</u>	<u>30,437</u>	<u>28,022</u>	<u>91,333</u>
Investments - restricted	-	-	64,611	64,611
Interprogram (due from)	1,900	-	-	1,900
Total current assets	<u>626,231</u>	<u>1,529,482</u>	<u>656,189</u>	<u>2,811,902</u>
NONCURRENT ASSETS				
Capital assets:				
Land	119,555	171,598	58,859	350,012
Buildings	14,499,552	15,511,358	10,655,194	40,666,104
Furniture and equipment	165,501	163,519	22,588	351,608
Accumulated depreciation	(13,228,090)	(12,881,287)	(10,509,244)	(36,618,621)
Infrastructure	495,505	222,154	102,971	820,630
Total capital assets, net	<u>2,052,023</u>	<u>3,187,342</u>	<u>330,368</u>	<u>5,569,733</u>
Total noncurrent assets	<u>2,052,023</u>	<u>3,187,342</u>	<u>330,368</u>	<u>5,569,733</u>
Total Assets	<u>\$ 2,678,254</u>	<u>\$ 4,716,824</u>	<u>\$ 986,557</u>	<u>\$ 8,381,635</u>

**LANCASTER CITY HOUSING AUTHORITY
PROJECT-WIDE BALANCE SHEET SUMMARY (CONTINUED)
SEPTEMBER 30, 2019**

Accounts Description	AMP 012	AMP 034	AMP 711	Total
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable < 90 days	\$ 2,922	\$ 4,830	\$ 21,696	\$ 29,448
Accrued salaries/payroll withholding	16,098	18,874	7,012	41,984
Accrued compensated absences	3,367	-	5,050	8,417
Accounts payable - other gov.	23,588	31,018	6,835	61,441
Tenant security deposits	77,822	93,293	37,367	208,482
Unearned revenue	3,089	1,412	699	5,200
Accrued Liabilities - other	1,450	921	1,861	4,232
Interprogram (due to)	26,712	28,967	3,687	59,366
Total current liabilities	<u>155,048</u>	<u>179,315</u>	<u>84,207</u>	<u>418,570</u>
NONCURRENT LIABILITIES				
Accrued comp. absences - long term	<u>38,594</u>	<u>33,287</u>	<u>18,355</u>	<u>90,236</u>
Total noncurrent liabilities	<u>38,594</u>	<u>33,287</u>	<u>18,355</u>	<u>90,236</u>
Total liabilities	193,642	212,602	102,562	508,806
NET POSITION				
Net Investment in capital assets, net of related debt	2,052,023	3,187,342	330,368	5,569,733
Restricted net position	-	-	65,113	65,113
Unrestricted net position	<u>432,589</u>	<u>1,316,880</u>	<u>488,514</u>	<u>2,237,983</u>
Total net position	<u>2,484,612</u>	<u>4,504,222</u>	<u>883,995</u>	<u>7,872,829</u>
Total Liabilities and net position	<u>\$ 2,678,254</u>	<u>\$ 4,716,824</u>	<u>\$ 986,557</u>	<u>\$ 8,381,635</u>

LANCASTER CITY HOUSING AUTHORITY
PROJECT-WIDE REVENUE AND EXPENSE SUMMARY
YEAR ENDED SEPTEMBER 30, 2019

Accounts Description	AMP 012	AMP 034	AMP 711	Total
REVENUES				
Net tenant rental revenue	\$ 731,919	\$ 907,753	\$ 239,612	\$ 1,879,284
Tenant revenue other	24,049	50,518	15,701	90,268
Total tenant revenue	<u>755,968</u>	<u>958,271</u>	<u>255,313</u>	<u>1,969,552</u>
HUD PHA grants - operating	779,799	662,682	453,315	1,895,796
HUD PHA grants - capital	111,441	221,705	20,304	353,450
Investment income - unrestricted	1,358	1,631	655	3,644
Other revenue	28,078	153,387	9,207	190,672
Total revenues	<u>1,676,644</u>	<u>1,997,676</u>	<u>738,794</u>	<u>4,413,114</u>
EXPENSES				
Administrative				
Administrative salaries	93,406	87,458	52,138	233,002
Auditing fees	5,625	5,625	3,150	14,400
Management fees	157,523	204,676	88,079	450,278
Bookkeeping fees	17,655	24,015	8,310	49,980
Advertising and marketing	-	-	-	-
Employee benefits - administrative	64,382	44,716	24,212	133,310
Office expense	20,247	22,335	7,979	50,561
Legal expense	-	-	-	-
Travel expense	3,291	3,042	728	7,061
Other operating - administrative	33,915	49,871	18,714	102,500
Total administrative expense	<u>396,044</u>	<u>441,738</u>	<u>203,310</u>	<u>1,041,092</u>
Asset management fee	23,880	32,400	11,400	67,680
Tenant services				
Tenant services - salaries	-	45,459	-	45,459
Employee benefit - tenant services	-	17,245	-	17,245
Other tenant services	269	107	-	376
Total tenant services	<u>269</u>	<u>62,811</u>	<u>-</u>	<u>63,080</u>
Utilities				
Water	143,298	75,020	96,455	314,773
Electricity	54,724	158,891	1,113	214,728
Gas	47,294	49,069	2,025	98,388
Other utilities	14,848	4,414	3,314	22,576
Total utilities expense	<u>260,164</u>	<u>287,394</u>	<u>102,907</u>	<u>650,465</u>

LANCASTER CITY HOUSING AUTHORITY
PROJECT-WIDE REVENUE AND EXPENSE SUMMARY (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2019

Accounts Description	AMP 012	AMP 034	AMP 711	Total
EXPENSES (Continued)				
Ordinary maintenance and operation				
Labor	\$ 322,306	\$ 239,905	\$ 146,482	\$ 708,693
Materials	115,981	74,868	27,639	218,488
Contracts	128,227	113,843	96,006	338,076
Employee benefit contributions	163,117	90,652	67,849	321,618
Total ordinary maintenance and operation	<u>729,631</u>	<u>519,268</u>	<u>337,976</u>	<u>1,586,875</u>
Insurance premiums				
Property insurance	28,883	30,794	21,322	80,999
Liability insurance	6,641	3,879	3,852	14,372
Workmen's compensation	19,030	12,675	8,654	40,359
Insurance - other	46,581	5,427	3,729	55,737
Total insurance premiums	<u>101,135</u>	<u>52,775</u>	<u>37,557</u>	<u>191,467</u>
General expenses				
Other general expenses	675	665	379	1,719
Payments in lieu of taxes	23,588	31,018	6,836	61,442
Bad debt - tenant rents	46	6,223	994	7,263
Total general expenses	<u>24,309</u>	<u>37,906</u>	<u>8,209</u>	<u>70,424</u>
Total operating expense	<u>1,535,432</u>	<u>1,434,292</u>	<u>701,359</u>	<u>3,671,083</u>
Excess operating expense	<u>141,212</u>	<u>563,384</u>	<u>37,435</u>	<u>742,031</u>
Other expenses				
Extraordinary maintenance	26,269	27,186	35,889	89,344
Casualty Losses - Non-capitalized	-	32,736	1,000	33,736
Depreciation expense	264,571	318,149	83,874	666,594
Total other expenses	<u>290,840</u>	<u>378,071</u>	<u>120,763</u>	<u>789,674</u>
Total expenses	1,826,272	1,812,363	822,122	4,460,757
Excess of revenue over expenses	(149,628)	185,313	(83,328)	(47,643)
Beginning net position	<u>2,634,240</u>	<u>4,318,909</u>	<u>967,323</u>	<u>7,920,472</u>
Ending net position	<u>\$ 2,484,612</u>	<u>\$ 4,504,222</u>	<u>\$ 883,995</u>	<u>\$ 7,872,829</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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 21, 2020.

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 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
May 21, 2020



**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, 2019. 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, 2019.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



CliftonLarsonAllen LLP

Baltimore, Maryland
May 21, 2020

**LANCASTER CITY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019**

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				
Family Self-Sufficiency Program	14.896	-	-	\$ 28,000
Public and Indian Housing	14.850	-	-	1,598,987
Section 8 Housing Choice Vouchers	14.871	-	-	6,849,297
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	-	-	48,184
Public Housing Capital Fund Program	14.872	-	-	650,259
Total Department of Housing and Urban Development Direct Programs				<u>9,174,727</u>
Total Expenditures of Federal Awards				<u><u>\$ 9,174,727</u></u>

See accompanying Notes to the Schedule.

LANCASTER CITY HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2019

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, 2019. 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 NONCASH FEDERAL ASSISTANCE

The Authority did not receive any noncash federal assistance for the year ended September 30, 2019.

**LANCASTER CITY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

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 (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2019**

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).