




COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 820-3335

THOMAS SLONAKER
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Thomas Slonaker, County Controller
DATE: December 3, 2010
RE: Audit of Cedar View Apartments



We have completed our audit of Cedar View Apartments for the year ended December 31, 2009. Our audit report number 11-2 is attached.

The results of our audit are:

- The "*Statement of Revenues, Expenses, and Changes in Fund Net Assets*" and the "*Statement of Net Assets*" present fairly the financial activity for the audit period.
- Adequate internal control would require General Services to approve the disposal of inventory items.

Attachment

AUDITS/CVAPTS

COUNTY OF LEHIGH, PENNSYLVANIA

CEDAR VIEW APARTMENTS

*Financial Audit
for the Year Ended December 31, 2009*

REPORT NO. 11-2

COUNTY OF LEHIGH, PENNSYLVANIA
CEDAR VIEW APARTMENTS

Table Of Contents

	Page(s)
OPINION OF THOMAS SLONAKER LEHIGH COUNTY CONTROLLER	1-2
Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Year Ended December 31, 2009	3
Statement of Net Assets as of December 31, 2009	4
Notes to Financial Statements	5
Comments on Internal Control	6-7
Schedule of Audit Findings and Recommendations	8
Housing Supervisor's Response	9



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THOMAS SLONAKER
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Sandra L. Hackman, Housing Supervisor
Cedar View Apartments
4230 Dorney Park Road
Allentown, PA 18104

We have audited the accompanying "*Statement of Revenues, Expenses, and Changes in Fund Net Assets*" for the year ended December 31, 2009 and the "*Statement of Net Assets*" as of December 31, 2009 of Cedar View Apartments, County of Lehigh, Pennsylvania. These financial statements are the responsibility of the Cedar View Apartments' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements were prepared on the accrual basis of accounting. The financial statements present only the Cedar View Apartments financial activity and do not purport to, and does not, present fairly the assets, liabilities, and results of operations of the County of Lehigh for the year ended December 31, 2009.

In our opinion, the Statement of Revenues, Expenses, and Changes in Fund Net Assets and the Statement of Net Assets referred to above present fairly, in all material respects, the financial position of Cedar View Apartments. However, we noted control deficiencies or other management issues that are described in the accompanying "*Schedule of Audit Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2010 on our consideration of the Cedar View Apartments' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



THOMAS SLONAKER
County Controller

November 30, 2010
Allentown, Pennsylvania

Final Distribution:

Board of Commissioners

Jan Creedon, Director of Human Services

Donald Cunningham, Jr., County Executive

Brian Kahler, Fiscal Officer

Donna Zimmerman, Director of Aging and Adult Services

COUNTY OF LEHIGH, PENNSYLVANIA
CEDAR VIEW APARTMENTS

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
for the Year Ended December 31, 2009
(NOTE 1)

OPERATING REVENUES

Tenant rentals	\$ 958,569

Total operating revenues	\$ 958,569

OPERATING EXPENSES

Administration and maintenance	\$ 718,314
Depreciation (NOTE 2)	182,525
Indirect cost allocation (NOTE 3)	68,532

Total operating expenses	\$ 969,371

OPERATING INCOME (LOSS) \$ (10,802)

NONOPERATING REVENUES (EXPENSES)

Investment earnings	8,516

Total nonoperating revenues (expenses)	8,516

OTHER FINANCING USES

Transfers out	(50,691)

Change in net assets (52,977)

Total net assets (deficit), January 1 2,151,738

Total net assets (deficit), December 31 \$ 2,098,761

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

COUNTY OF LEHIGH, PENNSYLVANIA
CEDAR VIEW APARTMENTS

Statement of Net Assets
Proprietary Fund
December 31, 2009
(NOTE 1)

ASSETS

Current assets:

Cash and cash equivalents	\$ 830,793
Other receivables	232

Total current assets 831,025

Noncurrent assets:

Capital assets:

Land and improvements	236,533
Building and improvements	5,846,797
Equipment	328,953
Furniture and fixtures	40,983
Less accumulated depreciation	(5,093,093)

Total capital assets (net of accumulated depreciation) 1,360,173

TOTAL ASSETS \$2,191,198

LIABILITIES

Current liabilities:

Accounts payable	\$ 38,334
Accrued payroll and payroll taxes	7,705

Total current liabilities 46,039

Noncurrent liabilities:

Unfunded other post employment Benefits	46,398
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TOTAL LIABILITIES 92,437

NET ASSETS

Invested in capital assets, net of related debt	1,360,173
Unrestricted	738,588

TOTAL NET ASSETS \$2,098,761

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

COUNTY OF LEHIGH, PENNSYLVANIA
CEDAR VIEW APARTMENTS

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

A. Reporting Entity

Cedar View Apartments financial activity is part of the County of Lehigh's reporting entity as an enterprise fund and is subject to financial audit by external auditors. This report is only for internal audit purposes.

B. Basis of Accounting

Cedar View Apartments is a proprietary fund type-enterprise used to account for tenant rentals received from occupants of a 200-unit apartment building for the elderly. Enterprise funds are used to account for goods or services that a government provides to the public for a fee that is intended to cover the cost of providing the goods or services, including depreciation. Cedar View Apartments maintains its records on the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

NOTE 2 DEPRECIATION

Depreciation is a non-cash expense that is calculated by dividing the cost of the asset by its estimated useful life in years. A half-year of depreciation is assumed in the year of acquisition and disposition.

NOTE 3 INDIRECT COST ALLOCATION

Indirect cost allocation is based on actual costs during 2009 for staffing and insurance provided by other departments including fiscal, controller, human resources, purchasing, and utility services-vehicle.



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JOHN A. FALK
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Sandra L. Hackman, Housing Supervisor
Cedar View Apartments
4230 Dorney Park Road
Allentown, PA 18104

We have audited the financial statements of Cedar View Apartments for the year ended December 31, 2009 and have issued our report thereon dated November 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing our audit, we considered Cedar View Apartments' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement of Revenues, Expenses, and Changes in Fund Net Assets and the Statement of Net Assets, but not for the purpose of expressing an opinion on the effectiveness of Cedar View Apartments' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cedar View Apartments' internal control over financial reporting.

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 misstatements 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such as 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

As part of obtaining reasonable assurance about whether Cedar View Apartments' 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*.

We noted certain matters that we reported to management of Cedar View Apartments in a separate section titled "*Schedule of Audit Findings and Recommendations*".

Cedar View Apartments' response to the findings identified in our audit is included in this report. We did not audit Cedar View Apartments' response and, accordingly, we do not express an opinion on it.

This report is intended solely for the information and use of the management of Cedar View Apartments, others within the entity including County of Lehigh management in charge of governance, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



THOMAS SLONAKER
County Controller

November 30, 2010
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
CEDAR VIEW APARTMENTS

Schedule of Audit Findings and Recommendations

1. Control over the approval, disposal, and subsequent sale of discarded inventory items

Condition: Apartment items requiring disposal are not being approved by General Services, placed for sale at public auctions, and are not being relinquished to a scrap hauler already contracted with Lehigh County. Furthermore, Cedar View Apartments management does not account for items discarded, transferred to General Services, and placed for sale on Public Surplus. Failure to properly monitor asset movement could result in financial loss.

Recommendation: Apartment items requiring disposal should first be approved by General Services, placed for sale at a public auction, and if not sold, should be relinquished to a scrap hauler already contracted with Lehigh County. Furthermore, a written log of discarded assets, approved by and transferred to General Services, should be compiled and maintained by Cedar View management.



COUNTY OF LEHIGH
Cedar View Apartments

Sandra L. Hackman
Housing Supervisor

November 30, 2010

Thomas Slonaker
County Controller
17 South Seventh Street
Allentown, PA 18101

Dear Mr. Slonaker:

Thank you for the time Stephen Berndt spent on the completion of the Audit of Cedar View Apartments. It was a very cooperative and helpful process.

We met with Stephen today to review the Audit Findings and Recommendations. As recommended, all apartment and building items required for disposal will be moved to Cedarbrook Nursing home and will be approved for removal by General Services, placed for sale at a public auction, and if not sold, will be relinquished to a scrap hauler already contracted with Lehigh County.

Scott Hittinger, Assistant Operations Manager will compile and maintain a written log of discarded assets that were transferred. This log will be computerized along with the dates of the disposal.

Again, thank you for your assistance. Please contact me at 610-530-2906 should you have any questions.

Sandra L. Hackman

A handwritten signature in cursive script that reads "Sandra L. Hackman".

Housing Supervisor
Cedar View Apartments

Cc: Donna Zimmerman, Director of Aging and Adult Services
Bill McCormick, Director of Facilities
Scott Hittinger, Assistant Operations Manager

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