



COUNTY OF LEHIGH  
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER  
17 SOUTH SEVENTH STREET  
ALLENTOWN, PA 18101-2400  
(610) 782-3082 FAX: (610) 871-2897

GLENN ECKHART  
COUNTY CONTROLLER

JOHN A. FALK  
DEPUTY CONTROLLER

**TO:** Final Report Distribution  
**FROM:** Glenn Eckhart, County Controller G.E.,  
**DATE:** March 3, 2017  
**RE:** Audit of Cedar View Apartments

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We have completed our audit of Cedar View Apartments for the year ended December 31, 2015.  
Our audit report number 17-2 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.
- Management will implement our recommendation for fixed asset disposal in the prior audit. Current discussions between Cedar View Management and General Services have shown that all related parties agree to use the attached "Fixed Asset Disposal Log" when disposing items.

Attachment

COUNTY OF LEHIGH, PENNSYLVANIA

CEDAR VIEW APARTMENTS

*Financial Audit*  
*For the Year Ended December 31, 2015*

REPORT NO. 17-2

COUNTY OF LEHIGH, PENNSYLVANIA  
CEDAR VIEW APARTMENTS

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COUNTY OF LEHIGH, PENNSYLVANIA  
CEDAR VIEW APARTMENTS

*Background*

Cedar View Apartments is a program within the scope of Aging/Adult Services. Management and operational responsibilities include: The provision of affordable, subsidized apartment style housing to those persons who are 18-61 years, considered "qualified handicapped" under Section 223 of the Social Security Act and those 62 years of age or older. Administrative staff insures compliance with the admission and occupancy policies for Cedar View Apartments and insure lessee/lessor compliance with the County of Lehigh Cedar View Apartment lease. Cedar View staff determine and implement an overall maintenance program which affords Cedar View Apartment residents a safe, healthy and attractive environment and also assures appropriate and responsible care and planning of County of Lehigh property. By appointment, prospective tenants are interviewed and pertinent income/asset information is procured and recorded on designated application forms by the Housing Supervisor. This administrative staff person then determines eligibility. Rental fees are determined upon admission to the apartment and subsequent rental fees are re-determined for every unit annually and more often when necessary. All two hundred (200) units are inspected annually by the Administrative and Housing Maintenance staff. Inspection and maintenance of all public areas, building and grounds and apartment units is an on-going process accomplished by the Administrative and Maintenance staff throughout the year.

Source: 2015 Budget





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GLENN ECKHART  
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, 2015 and the "*Statement of Net Assets*" as of December 31, 2015 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 generally accepted government auditing 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, 2015.

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 Prior Audit Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2017 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.

A handwritten signature in dark ink, appearing to read 'Glenn Eckhart', with a stylized, cursive script.

GLENN ECKHART  
County Controller

February 23, 2017  
Allentown, Pennsylvania

Audited by: Daniel Aquilino

Final Distribution:

Kay Achenbach, Director of Human Services  
Todd Allender, Work Program Supervisor  
Timothy Bollinger, Manager, General Services  
Board of Commissioners  
Edwin Kline, Assistant Operations Manager, Cedar View Apartments  
Richard Molchany, Director of General Services  
Thomas Muller, County Executive  
Clayton Reed, Jr., Director of Aging and Adult Services  
Timothy Reeves, Fiscal Officer  
Angela Zemyan, Operations Manager, General 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, 2015*  
(NOTE 1)

**OPERATING REVENUES**

Tenant rentals	\$ 1,056,101
Total operating revenues	<u>\$ 1,056,101</u>

**OPERATING EXPENSES**

Administration and maintenance	\$ 759,982
Depreciation (NOTE 2)	189,977
Indirect cost allocation (NOTE 3)	87,793
Total operating expenses	<u>\$ 1,037,752</u>

<b>OPERATING INCOME</b>	\$ 18,349
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**NON-OPERATING REVENUES**

Investment earnings	2,206
Subtotal	<u>20,555</u>

**TRANSFERS OUT (NOTE 4)**

Transfer to Aging	(40,029)
Transfers to Capital Projects	(690)
Transfer to Esco – Principal	(71,250)
Transfer to Esco – Interest	<u>(29,604)</u>
Total Other Financing Uses	<u>(141,573)</u>

Change in net assets	(121,018)
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Total net assets, January 1	<u>1,700,309</u>
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Total net assets, December 31	<u><u>\$ 1,579,291</u></u>
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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, 2015*  
(NOTE 1)

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 790,433
Other receivables	209
Total current assets	<u>790,642</u>

Noncurrent assets:

Capital assets:

Land and improvements	236,533
Building and improvements	6,671,781
Equipment	391,093
Furniture and fixtures	40,983
Subtotal capital assets	<u>7,340,390</u>
Less accumulated depreciation	<u>(6,353,411)</u>
Total capital assets (net of accumulated depreciation) (NOTE 8)	986,979

TOTAL ASSETS \$1,777,621

**DEFERRED OUTFLOWS OF RESOURCES-PENSION (NOTE 5)** 60,350

**LIABILITIES**

Current liabilities:

Accounts payable	\$ 42,673
Accrued payroll and payroll taxes	4,373
Total current liabilities	<u>47,046</u>

Noncurrent liabilities:

Net Pension Liability (NOTE 6)	149,915
Unfunded other post-employment Benefits (NOTE 7)	61,719

TOTAL LIABILITIES 258,680

**NET ASSETS**

Invested in capital assets, net of related debt (NOTE 8)	986,979
Unrestricted (NOTE 9)	592,312
TOTAL NET ASSETS	<u><u>\$1,579,291</u></u>

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 2015 for staffing and insurance provided by other departments including fiscal, controller, human resources, purchasing, and utility services-vehicle.

**NOTE 4 INTERFUND TRANSFERS**

Certain Interfund transfers are executed as a result of the General Fund's requirement to match a portion of another fund's expenses or expenditures. In addition, the General Fund receives certain reimbursements from other funds. As of December 31, 2015, the total amount transferred to other funds is \$141,573, which is outlined below.

Cedar View Apartments transferred out \$40,029 to Area Agency on Aging (AAA) fund, which is used to reimburse the Aging department for work that employees do on Cedar View's behalf. The AAA funds are calculated by adding the cumulative salaries, fringe benefits, indirect and operating expenses for a given period for each employee that has done work with Cedar View, and then subtracting out the transfers that have already occurred during the period.

The Capital Projects Funds transfers are used for building renovation expenses. When an invoice for this purpose is submitted for payment, money is transferred from the Cedar View bank account to the Capital Projects for payment. In 2015, there were only two payments in this category, and they were both for Home Depot Credit Services credit card payments, totaling \$690 for the year.

The remaining monies are transferred from Cedar View's bank account to the ESCO General Obligation Bond Funds, which are separated into a principal account and an interest account. These funds are used to repay Cedar View's portion of the County debt, which amounted to \$71,250 in principal payments and \$29,604 in interest payments.

#### **NOTE 5      DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS**

For the 2015 measurement period, the County recognized pension expenses and reported deferred outflows of resources related to pensions. Additional information can be found in Note 6 of the External Audit Report from RKL, LLP, dated June 22, 2016.

#### **NOTE 6      NET PENSION LIABILITY**

The County's net pension liability was measured as of December 31, 2015, and the total pension liability was used to calculate the net pension liability was determined by an actuarial valuation as of that date.

#### **NOTE 7      POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT FUND**

The County Sponsors a single-employer post-employment benefit plan that covers health and life insurance benefits for eligible retirees. These benefits were granted by County Commissioner Resolution 1975-3 and were rescinded in 1986, effective for employees hired after January 1, 1987.

#### **NOTE 8      NET INVESTMENT IN CAPITAL ASSETS**

This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

#### **NOTE 9      UNRESTRICTED NET POSITION**

This category represents Cedar View's net position, which is not restricted to any specific project or purpose.





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JOHN A. FALK  
DEPUTY CONTROLLER

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, 2015 and have issued our report thereon dated February 23, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing standards applicable to 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.

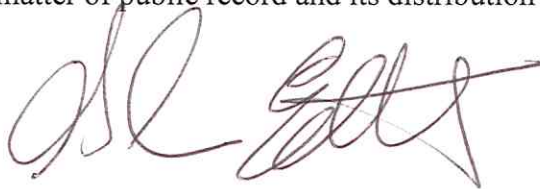
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 Prior Audit Findings and Recommendations*".

Cedar View Apartments' response to 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.



GLENN ECKHART  
County Controller

February 23, 2017  
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA  
CEDAR VIEW APARTMENTS

*Schedule of Prior Audit Findings and Recommendations*  
(From Audit Report #14-16 issued August 15, 2014)

1. Discarded Inventory List Not Located

**Condition:** At the conclusion of the prior audit, for the year 2013, management provided a written response asserting that a list of discarded inventory would be maintained. We obtained a listing of Cedar View scrapped items for the period June 2013 through June 2014; however, no listing was located for the first five months of 2013.

**Recommendation:** The list of discarded inventory should continue to be prepared by the Assistant Operations Manager at Cedar View Apartments and a copy of the list should be turned over to the Cedar View Housing Manager. We suggest the list be initialed by a General Services Work Program Supervisor for items delivered to the county garage for scrap.

**Management's Response:** As stated in the Audit Findings, there were no listings of scrapped items from January 2013-May 2013.

Maintenance will submit a monthly report to the Housing Supervisor which lists items to be scrapped and moved. This report will also be completed if there is nothing to be moved in a particular month. As recommended, all apartment and building items required for disposal will be moved to the Utility Garage and will be approved for removal by General Services. General Services will sign for each item and Maintenance will receive a copy of this and keep a written log of it. He will then make a copy to file in the main office.

**Current Status:** Management will implement our recommendation for fixed asset disposal in the prior audit. Current discussions between Cedar View management and General Services have demonstrated that all related parties agree to use the attached "Fixed Asset Disposal Log" when disposing items.



LEHIGH COUNTY FIXED ASSET DISPOSAL LOG

Lehigh County Fixed Asset Disposal Log

Item #	Date	Location	Item Description	Photo #
1				
2				
3				
4				
5				
6				
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All Items Must Be Approved For Disposal By The General Services Manager Or The Operations Manager In The Office Of General Services Prior To Removal.



COUNTY OF LEHIGH  
Cedar View Apartments

Sandra L. Hackman  
Housing Supervisor

Glenn Eckhart  
County Controller  
17 South Seventh Street  
Allentown, PA 18102

February 23, 2017

Dear Mr. Eckhart:

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

Edwin Kline and I met with Daniel to review the Audit findings and recommendations. Edwin will submit a monthly report to me which list items to be scrapped and moved. This report will also be completed if there is nothing to be moved in a particular month.

As recommended, all apartment and building items required for disposal will be moved to the Utility Garage and will be approved for removal by General Services. General Services will sign for each item and Edwin will receive a copy of this and keep a written log on it. He will then make a copy for file in Main Office.

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 black ink that reads "Sandra L. Hackman". The signature is written in a cursive style with a large, stylized "S" and "H".

Housing Supervisor  
Cedar View Apartments

CC: Clayton Reed, Director of Aging and Adult Services  
Edwin Kline, Assistant Operations Manager

4230 Dorney Park Road  
Allentown, Pennsylvania 18104-5722  
Phone: 610-530-2906  
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