



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:** August 15, 2014  
**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, 2013. Our audit report number 14-16 is attached.

The result of our audit is 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.

Attachment

COUNTY OF LEHIGH, PENNSYLVANIA

CEDAR VIEW APARTMENTS

*Financial Audit*  
*For the Year Ended December 31, 2013*

REPORT NO. 14-16

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 Apartments 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: 2014 October 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, 2013 and the "*Statement of Net Assets*" as of December 31, 2013 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, 2013.

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 August 12, 2014 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.



GLENN ECKHART  
County Controller

August 12, 2014  
Allentown, Pennsylvania

Final Distribution:

Kay Achenbach, Director of Human Services  
Board of Commissioners  
Richard Molchany, Director of General Services  
Thomas Muller, County Executive  
Timothy Reeves, 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, 2013*  
(NOTE 1)

<b>OPERATING REVENUES</b>	
Tenant rentals	\$ 1,045,749
	-----
Total operating revenues	\$ 1,045,749
	-----
<b>OPERATING EXPENSES</b>	
Administration and maintenance	\$ 754,720
Depreciation (NOTE 2)	224,878
Indirect cost allocation (NOTE 3)	68,299
	-----
Total operating expenses	\$ 1,047,897
	-----
<b>OPERATING INCOME (LOSS)</b>	\$ (2,148)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	2,529
	-----
Total nonoperating revenues (expenses)	2,529
<b>OTHER FINANCING USES</b>	
Transfers out (NOTE 4)	(172,963)
	-----
Change in net assets	(172,582)
Total net assets (deficit), January 1	2,090,223
	-----
Total net assets (deficit), December 31	\$ 1,917,641
	=====

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, 2013*  
(NOTE 1)

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 939,872
Other receivables	777

	940,649
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Noncurrent assets:

Capital assets:

Land and improvements	236,533
Building and improvements	6,396,121
Equipment	378,186
Furniture and fixtures	40,983
Less accumulated depreciation	(5,953,376)

	1,098,447
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TOTAL ASSETS	\$2,039,096
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**LIABILITIES**

Current liabilities:

Accounts payable	\$ 55,261
Accrued payroll and payroll taxes	3,843

	59,104
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Noncurrent liabilities:

Unfunded other post employment Benefits	62,351
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TOTAL LIABILITIES	121,455
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**NET ASSETS**

Invested in capital assets, net of related debt	1,098,447
Unrestricted	819,194

TOTAL NET ASSETS	\$1,917,641
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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 2013 for staffing and insurance provided by other departments including fiscal, controller, human resources, purchasing, and utility services-vehicle.

**NOTE 4 TRANSFERS OUT**

Transfers out, totaling \$172,963 for the year ended December 31, 2013, constitute money sent to the Capital Projects Fund in connection with Cedar View Apartments renovation and expansion of its community room.



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GLENN ECKHART  
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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, 2013 and have issued our report thereon dated August 12, 2014. 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 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.

A handwritten signature in dark ink, appearing to read "Glenn Eckhart", is positioned above the printed name and title.

GLENN ECKHART  
County Controller

August 12, 2014  
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA  
CEDAR VIEW APARTMENTS

*Schedule of Audit Findings and Recommendations*

1. Discarded Inventory List Not Located

**Condition:** At the conclusion of the prior audit, for the year 2009, management provided a written response asserting that a list of discarded inventory would be maintained (see “Schedule of Prior Auditing Findings and Recommendations” on page 10). For the current audit, for the year 2013, we did obtain 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.

COUNTY OF LEHIGH, PENNSYLVANIA  
CEDAR VIEW APARTMENTS

*Schedule of Prior Audit Findings and Recommendations*

1. Control Over the Approval, Disposal, and Subsequent Sale of Discarded Inventory

**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 manager 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.

**Management's Response:** 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. The Assistant Operations Manager will compile and maintain a written log of discarded assets that were transferred.

**Current Status:** Management is disposing of inventory in accordance with the policies of Lehigh County. The written log of discarded assets, however, was not located for the first five months of 2013.



COUNTY OF LEHIGH  
Cedar View Apartments

Sandra L. Hackman  
Housing Supervisor

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

August 12, 2014

Dear Mr. Eckhart:

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

Scott Hittinger and I met with Zachary yesterday to review the Audit findings and recommendations. As stated in the Audit Findings, there were no listings of scrapped items from January 2013-May 2013.

Scott will submit a monthly report to me 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 Scott will receive a copy of this and keep a written log on it. He will then make a copy for file in the 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 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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