



# Housing Authority of the County of Stanislaus

*...also serving Alpine ▪ Amador ▪ Calaveras ▪ Inyo ▪ Mariposa ▪ Mono ▪ Tuolumne Counties.*

TO: Board of Commissioners

FROM: Barbara S. Kauss, Executive Director

DATE: September 14, 2017

SUBJECT: Annual Audited Financial Statements Report for the Fiscal Year Ended September 30, 2016

PREPARED BY: Linh Luong, Director of Finance

## **RECOMMENDATION**

Staff recommends the Board of Commissioners adopt a motion accepting the Audited Financial Statements and related Reports for the fiscal year ended September 30, 2016.

## **SUMMARY**

Pursuant to the Uniform Guidance as codified within 2 CFR 200 (Code of Federal Regulations, Part 200). An audit of the general-purpose financial statements for the Housing Authority of the County of Stanislaus (the "Authority") has been performed for the fiscal year ended September 30, 2016. The Audit was performed by Keller and Associates, LLP, Certified Public Accountants ("David J. Keller") as the Managing Partner.

The Basic Financial Statements have been prepared in accordance with General Accepted Accounting Principles (GAAP). The audit was conducted in accordance with generally accepted auditing standards (GAAS); the standards applicable to financial audits contained in Generally Accepted Government Auditing Standards (GAGAS), 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* (the "Uniform Guidance").

The statements were prepared under the Government Accounting Standards Board (GASB) 34 model which requires specific formats and titles be used in the presentation of the financial statements. The inclusion of a Management Discussion and Analysis (MD&A) is also required by GASB 34. The staff-prepared MD&A serves as an introduction to the entity wide financial statements. The MD&A also provides the reader with an analytical overview and relevant comparisons concerning the financial data presented in the audited financial statements. Significant change and pertinent details

are explained and standard financial measurements are presented to assist the reader in evaluating the data and to demonstrate the financial position of the HACS.

The lead auditor, David J. Keller has issued an “Unmodified Opinion” that the financial statements are fairly presented in conformity with GAAP. An “unmodified opinion” is issued when the auditor has not encountered any weaknesses, as to the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as to the fairness of the presentation of the financial statements in conformity with GAAP. As required in the Uniform Guidance of 2 CFR 200, the financial statements also included the auditor’s report on the Agency’s compliance with relevant laws and regulations, and its internal controls.

Noteworthy changes from 2015 by category include:

### **Statements of Net Position**

- Current Assets increased by approximately \$2.9 million. The increase in current assets was due primarily to a release from restrictions of Net Restricted Assets Funds as to the Housing Choice Vouchers Program as well as surplus cash generated from operations. However, timing as to the payment of accruals has created a large end of year balance in cash that will be paid in early October 2017, effectively decreasing the year-end balance of cash by approximately \$1.5 million.
- Total Deferred Outflow of Resources increased by \$714,909 representing future outflows attributable to pension investment losses and projected versus actual experience factors as they are anticipated to effect the Authority’s pension plan in the future. The Deferred Outflow is being reported as a result of implementing GASB 68.
- Total Liabilities increased by approximately \$144 thousand from the prior fiscal year. The decrease in total liabilities was primarily the debt principal payments in accordance with related agreements as to the accounts payable – other government, resulting in a decrease of approximately \$430,000. The overall increase is due to the recording the net pension liability in the amount of \$574,201, in accordance with GASB 68 reporting requirements.
- Total Deferred Inflow of Resources increased by \$140,708 representing future projected investment gains of \$201,799, and actuarial assumptions changes of (\$61,091), both of which are forecasted to impact the Authority’s pension plan in future years. The Deferred Inflow is being reported as a result of implementing GASB 68.

- Net Position for Invested in Capital Assets, Net of Related Debt decreased by approximately \$1.7 million. The decrease was due to an increase in accumulated depreciation of approximately \$3.0 million netted with the completion of rehabilitation work on the Conventional Housing units of approximately \$518 thousand and the increase in inventory of 2 units of NSP housing for \$140 thousand, respectively, as well as amortizing principal payments of roughly \$400 thousand and lastly fixed asset additions during the year ended September 30, 2016 of approximately \$200 thousand.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by approximately \$3.1 million from the prior fiscal year. The overall increase is attributable to the surplus (deficit) generated from operations as to the following programs: 1). Rural Development Farm Labor approximately \$81,000 2). Conventional Low Rent approximately \$272,000. Housing Choice Voucher approximately \$465,000 4). Central Office Cost Center approximately \$91,000 5). Local programs approximately \$599,000. Also, included in this increase was the overall impact to net position as a result of Net Position for Invested in Capital Assets, Net of Related Debt decreasing by approximately \$1.7 million, essentially being restricted in the current year due to operations and primarily depreciation.
- Restricted net position increased by approximately \$104 thousand from the prior fiscal year. The increase was due to excess Housing Assistance Payments advanced from HUD.

### **Statement of Revenues, Expenses and Changes in Net Position**

- Total Revenue increase of approximately \$2.7 million was due to an increase in the operating subsidies of approximately \$2.2 million, generated during the current period as well an increase in operating revenues of approximately \$500 thousand.
- Total Operating Expense increased by approximately \$1.3 million was due to an increase in Housing Assistance Payments.
- Net Position increased approximately \$1.5 million or 2.2% during the 2016 fiscal year. The Net Position for fiscal year 2015 increased by 3.9%.

The audit reports and findings contain:

- No findings.
- No instances of noncompliance that are reportable under Government Auditing Standards.
- No areas of material weakness or significant deficiencies involving internal control over financial reporting.

## **ATTACHMENT**

The Authority's annual audit report for the fiscal year ended September 30, 2016.