

HOUSING AUTHORITY OF THE CITY OF  
LEXINGTON, NEBRASKA

BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTAL INFORMATION  
AND  
SUPPLEMENTAL INFORMATION

Year Ended June 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

### **Independent Auditor's Report**

To the Board of Commissioners  
Housing Authority of the City of Lexington, Nebraska

#### **Report on the Basic Financial Statements**

We have audited the accompanying basic financial statements of the Housing Authority of the City of Lexington, Nebraska, as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise the Housing Authority of the City of Lexington, Nebraska's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Basic Financial Statements***

Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Lexington, Nebraska, as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified in the table of contents, 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Housing Authority of the City of Lexington, Nebraska's basic financial statements. The Program Financial Schedules, Financial Data Schedule and 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* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Program Financial Schedules, Financial Data Schedule and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates 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 Program Financial Schedules, Financial Data Schedule and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2018 on our consideration of the Housing Authority of the City of Lexington, Nebraska'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 results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Lexington, Nebraska's 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 Housing Authority of the City of Lexington, Nebraska's internal control over financial reporting and compliance.

*Niewedde & Wiens, CPAs*

York, Nebraska  
February 17, 2018

REQUIRED SUPPLEMENTAL INFORMATION –  
MANAGEMENT'S DISCUSSION AND ANALYSIS

# HOUSING AUTHORITY OF THE CITY OF LEXINGTON



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This section of the Housing Authority of the City of Lexington, Nebraska's annual financial report presents our managements analysis of the Authority's financial performance during the fiscal year ended on June 30, 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the basic financial statements as a whole.

## FINANCIAL HIGHLIGHTS

The term "Net Position" refers to the difference between assets and liabilities. The Authority's total net position as of June 30, 2017 was \$4,702,348. The net position decreased by \$372,776, a decrease of 7.3% from the prior year. Of this amount, \$1,357,187 was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the Authority's ongoing obligations to citizens, creditors and operations of facilities.

Operating revenues for the Authority was \$1,274,700 for the year ended June 30, 2017. This was an increase of 10% over the prior year.

Operating expenses for the Authority were \$1,695,350 for the year ended June 30, 2017. This was an increase of 10% over the prior year.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report includes this *Management's Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Basic Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Authority's basic financial statements are presented as fund level financial statements because the Authority only has a single proprietary fund.

### Required Basic Financial Statements

*Proprietary Fund Financial Statements* - The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources and obligations of the Authority creditors. It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The Authority reports a single enterprise fund.

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2017

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONT'D)**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that requires the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended June 30, 2017 and is required to be included in the audit reporting package.

**FINANCIAL HIGHLIGHTS AND ANALYSIS**

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$4,702,348 at the close of the year ended June 30, 2017. This represents a decrease of \$372,776, or 7.3% from the prior year. The reason for the decrease was largely due to depreciation expense exceeding current year capital additions and the use of insurance proceeds earned in the prior year related to a fire in the Section 8 New Construction program for the repairs in the current year.

**CONDENSED STATEMENTS OF NET POSITION**

	FY 2017	FY 2016	Dollar Change	Percent Change
Current and other assets	\$ 2,190,662	\$ 2,334,467	\$ (143,805)	-6.2%
Capital assets	2,630,596	2,868,384	(237,788)	-8.3%
Total Assets	<u>4,821,258</u>	<u>5,202,851</u>	<u>(381,593)</u>	-7.3%
Current liabilities	118,910	124,849	(5,940)	-4.8%
Long-term debt	-	2,877	(2,877)	-100.0%
Total Liabilities	<u>118,910</u>	<u>127,726</u>	<u>(8,816)</u>	-6.9%
Net Position				
Net investment in capital assets	2,630,596	2,861,909	(231,313)	-8.1%
Restricted	714,565	603,078	111,487	18.5%
Unrestricted	1,357,187	1,610,138	(252,951)	-15.7%
Total Net Position	<u>\$ 4,702,348</u>	<u>\$ 5,075,125</u>	<u>\$ (372,776)</u>	-7.3%

The unrestricted component of net position was \$1,357,187 as of June 30, 2017 which was a decrease of \$252,951. This was largely due to the use of the insurance proceeds described above and a \$49,563 operating loss in the Section 8 New Construction program when not including depreciation expense.

The Authority had several different components of restricted net position. The Authority had \$523,146 in restricted net position related to a HOME grant the Authority received and in turn loaned to the tax-credit project known as Legend Oak, LLC. The Authority had an \$100,000 legally restricted \$100,000 to guarantee the tax-credit project. The Authority had \$61,527 of insurance proceeds which are restricted net position in the Public Housing program for subsequent repairs. The Authority had an additional \$29,893 restricted for future housing assistance payments.



HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2017

**FINANCIAL HIGHLIGHTS AND ANALYSIS (CONT'D)**

The largest portion of the Authority's net position reflects its net investment in capital assets (e.g. land, buildings and equipment less accumulated depreciation and related debt). The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

Current and other assets decreased \$143,805. Within this, cash and investments decreased \$39,126, accounts receivables decreased \$78,498 and due from other governments decreased \$51,419. This was offset by a \$19,949 increase in notes receivable due to the compounding of interest. Accounts receivables decreased due insurance proceeds that were receivable at the end of the prior year being received in the current year.

Current liabilities increased \$8,816 with \$6,475 of that being that payment in full of a note payable.

While the Statement of Net Position shows the change in net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

	FY 2017	FY 2016	Dollar Change	Percent Change
<b>Revenues</b>				
Program revenues				
Rental	\$ 446,774	\$ 425,797	\$ 20,977	4.9%
HUD program contributions	836,232	771,776	64,456	8.4%
Other	93,895	118,541	(24,645)	-20.8%
General revenues				
Interest	32,648	31,381	1,267	4.0%
Total Revenues	1,409,549	1,347,494	62,055	4.6%
<b>Expenses</b>				
Operating, less depreciation	1,408,069	1,239,934	168,135	13.6%
Depreciation	287,281	300,643	(13,362)	-4.4%
Nonoperating	20	5,708	(5,688)	-99.6%
Total Expenses	1,695,370	1,546,285	149,085	9.6%
Excess (Deficiency) Before Contributions and Special Items	(285,821)	(198,791)	(87,030)	
Contributions	20,943	100,882	(79,939)	
Special items, net	(107,898)	174,309	(282,207)	
Changes in Net Position	(372,776)	76,399	(449,176)	
Beginning net position	5,075,125	4,998,725	76,399	
Ending net position	\$ 4,702,348	\$ 5,075,125	\$ (372,776)	

Rental income increased \$20,977 overall. Within this, Public Housing rental income increased by \$20,520 as Public Housing had 11 more unit months leased and the average rental charge increased \$18.60. Public Housing had 936 unit months leased out of an available 972. Section 8 New Construction had a \$5,763 decrease in rental income as occupancy continues to be an issue. Section 8 New Construction had 428 unit months leased out of an available 576 which was a decrease of 23. This was a combination of having a fire that totally destroyed four units and damaged two others to the point of needing total rehabilitation there is a shortage of persons 62 and older of the 80% area median income in Lexington. With four new tax credit properties and

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2017

**FINANCIAL HIGHLIGHTS AND ANALYSIS (CONT'D)**

two assisted living facilities in Lexington now, there is more choice available to applicants. Also, the basic population has changed in Lexington, near half are now Hispanic or African and their culture lends itself to having the parents and grandparents living with family rather than living apart from the family.

HUD program contributions include Public Housing operating subsidy and capital fund grants used for noncapital purposes, Housing Choice Voucher program housing assistance payments and administrative contribution and Section 8 New Construction rental assistance.

Operating subsidy was \$98,933 for the year which was a decrease of \$10,703. Rental assistance in the Section 8 New Construction program decreased \$4,179. The Housing Choice Voucher contributions increased by \$124,198 due to increased program utilization and a 19% increase in the average HAP payment due to participants that have ported out to other areas where the HAP payment is much higher.

Operating expenses increased by \$168,135. Within this, administration increased \$42,025 and maintenance costs increased \$15,155. The bulk of this was due to a \$21,002 increase in compensation and a \$24,849 increase in benefits. HAP expenses increased \$92,308 due to an additional 21 HAP payments and the average HAP payment increased 19% due to the portable issue described above.

Contributions for the year were \$20,943 which was a decrease of \$79,939. The Authority is allocated capital grant money each year as determined by HUD and remains relatively consistent from year to year based on the Authority's number of units. The amount presented will vary from year to year depending on the timing of projects as outlined in the HUD approved capital grant budget.

Special items consisted mostly of insurance proceeds of \$220,094 which was offset by \$327,992 of related expenses. The Authority had received insurance proceeds in the prior year related to the current year expenses.

Individual Program Highlights:

**Public Housing:** Occupancy increased by 11 unit months to 936 out of 972 unit months available. Average rent increased \$18.60 to \$301.26.

Public Housing had a net income of \$3,501 when not including depreciation expense of \$198,738. Included in this was \$3,268 of capital funds used for noncapital purposes as allowed by program regulations.

**Housing Choice Voucher:** The number of HAP payments made increased by 21 to 1,476 and the average HAP payment increased \$58.96 to \$310.88. Unrestricted net position, also known as administrative reserve, decreased by \$12,812 as operating expenses exceed the administrative revenues. This will be something the Authority will need to address in the future as program will be out of administrative reserves in 1.35 years at the current rate of administrative loss.

**Section 8 New Construction:** Occupancy decreased by 23 to 428 unit months out of an available 576.

When not including depreciation expense, the program had a loss of \$49,563 which is an increase from the prior year amount of \$28,717. This is due to the occupancy issue and this program having a disproportionate share of employee benefits allocated to it as its funds are not restricted.

**Pioneer Homes:** The program had net income of \$22,104 when not including depreciation.

**Management Fund:** The program had net income of \$8,536. This program continues to maintain a large accounts receivable from the Eastlawn East, HUD Section 202 Capital Advance program, that it manages which limits the programs cash flows resulting in payables to the Section 8 New Construction program.

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2017

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – The Housing Authority of the City of Lexington, Nebraska's capital assets as of June 30, 2017 amounts to \$2,630,596. Capital assets include land, buildings, improvements, equipment and construction in progress net of accumulated depreciation and related debt.

The total decrease in the Authority's capital assets for the current fiscal year was 8.3% in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$49,493 for the year. The majority of the capital additions were related to unit updating.

Depreciation for the year totaled \$287,281. Additional information on the Authority's capital assets can be found in Note G of the notes to the basic financial statements of this report.

**Debt Administration** –The only debt activity for the year ended June 30, 2017 was related to the payment of debt on the existing mortgages for the storage facility owned Pioneer Homes which was paid in full during the year. Additional information on the Authority's debt can be found in Note J of the notes to the basic financial statements of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Funding uncertainties in both the Public Housing and Housing Choice Voucher programs are a continuing concern for both programs. Both HUD programs mentioned above have unstable funding sources. Money from HUD is unpredictable and the agency will receive only a prorated portion of what is allowed on paper. All potential expenditures are being examined to see if it is indeed a necessary expenditure.

Tenant rental income fluctuates and is very uncertain in the programs where rent is based on income. Many of the clients that are being housed are very low income families so this is resulting in a dwelling rent not high enough to pay the per unit costs. The Lexington Housing Authority Board of Commissioners is taking that into consideration when spending is planned.

The Lexington Housing Authority is addressing any vacancy issues. We are working on an updated system to keep closer track of our vacant units. We have also increased our advertising as much as possible with free or low cost sources to attract additional tenants. Our employees are encouraged to get more involved in the community which will hopefully increase the visibility of the Lexington Housing Authority properties.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Lexington, Nebraska, 609 East Third, Lexington, Nebraska 68850.

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## BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
June 30, 2017

ASSETS

	Housing
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 577,949.91
Investments	306,783.36
Accounts receivable, net	36,923.80
Due from other governments	28,398.00
Accrued interest receivable	1,088.50
Prepaid insurance	30,003.89
Notes receivable, current portion	2,486.06
<i>Restricted:</i>	
Cash and cash equivalents	114,631.97
Accounts receivable	26,127.59
<b>TOTAL CURRENT ASSETS</b>	<b>1,124,393.08</b>
 <b>NONCURRENT ASSETS:</b>	
<i>Restricted:</i>	
Investments	221,984.00
Notes receivable, less current portion	832,200.57
Accrued interest receivable	12,084.35
Capital Assets, non-depreciable	362,650.91
Capital Assets, depreciable, net	2,267,945.05
<b>TOTAL NONCURRENT ASSETS</b>	<b>3,696,864.88</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,821,257.96</b>
 <b>LIABILITIES</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 23,941.58
Accrued salaries and wages payable	41,976.59
Accrued interest payable	0.02
Unearned revenue	3,651.40
Trust and deposit liabilities	49,339.94
<b>TOTAL CURRENT LIABILITIES</b>	<b>118,909.53</b>
<b>TOTAL LIABILITIES</b>	<b>118,909.53</b>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	2,630,595.96
Restricted	714,565.35
Unrestricted	1,357,187.12
<b>TOTAL NET POSITION</b>	<b>\$ 4,702,348.43</b>

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET POSITION - PROPRIETARY FUND  
Year Ended June 30, 2017

		Housing
OPERATING REVENUES		
Rental income	\$	446,773.57
HUD contributions		734,031.03
Other income		93,895.40
TOTAL OPERATING REVENUES		1,274,700.00
OPERATING EXPENSES		
Administrative		398,251.73
Tenant services		980.31
Utilities		82,868.83
Ordinary maintenance and operations		387,880.64
General expense		79,229.21
Housing assistance payments		458,858.10
Depreciation		287,280.93
TOTAL OPERATING EXPENSES		1,695,349.75
		OPERATING INCOME (LOSS) (420,649.75)
NONOPERATING REVENUES (EXPENSES)		
HUD operating subsidy		98,933.00
HUD capital grants		3,268.00
Interest income		32,647.99
Interest expense		(20.33)
TOTAL NONOPERATING REVENUES(EXPENSES)		134,828.66
INCOME(LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS		(285,821.09)
CAPITAL CONTRIBUTIONS		
HUD capital grants		20,942.72
SPECIAL ITEMS		
Insurance proceeds		220,093.66
Casualty loss expenses - fire		(327,991.66)
INCREASE (DECREASE) IN NET POSITION		(372,776.37)
NET POSITION:		
Net position, beginning balance		5,075,124.80
TOTAL NET POSITION - ENDING BALANCE	\$	4,702,348.43

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
Year Ended June 30, 2017

	Housing
CASH FLOWS FROM OPERATING ACTIVITIES:	
Rental receipts	\$ 483,942.99
HUD receipts	737,748.00
Other receipts	69,380.04
Trust and deposits	3,439.03
Cash payments for goods and services	(883,156.47)
Cash payments to employees for services	(530,443.77)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(119,090.18)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
HUD operating subsidy	106,942.00
HUD capital grants	3,268.00
Principal received on notes receivable	3,184.40
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	113,394.40
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases and construction of capital assets	(49,493.21)
HUD capital grants	59,373.17
Insurance proceeds	282,708.41
Casualty loss payments	(327,991.66)
Mortgage principal payments	(6,475.14)
Interest paid on capital debt	(32.56)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(41,910.99)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net (deposits) withdrawals to investments	(1,247.34)
Interest received	8,613.92
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	7,366.58
NET INCREASE (DECREASE) IN CASH	(40,240.19)
CASH AND CASH EQUIVALENTS-BEGINNING	732,822.07
CASH AND CASH EQUIVALENTS-ENDING	\$ 692,581.88



HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONT'D)  
Year Ended June 30, 2017

	Housing
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (420,649.75)
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	287,280.93
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	20,862.93
(Increase) decrease in prepaid expenses	(4,255.29)
Increase (decrease) in accounts payable	(12,436.49)
Increase (decrease) in accrued salaries	7,232.00
Increase (decrease) in trust and deposit liabilities	3,439.03
Increase (decrease) in unearned revenue	(563.54)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (119,090.18)

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Authority was created under the laws of the State of Nebraska. The purpose of the Authority is to administer the housing programs authorized by the Quality Housing and Work Responsibility Act of 1998. These programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD).

The basic financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting.

Financial Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Government Accounting Standards Board Codification. These criteria state that the financial reporting entity consist of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's basic financial statements from being misleading. In such instances, that organization should be included as a component unit. Based on these criteria, there are no additional agencies or entities which should be included in the basic financial statements of the Authority.

Basis of accounting, measurement focus, and financial statement presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred out flows of resources, liabilities, deferred inflows of resources, fund net position, revenues and expenditures or expenses, as appropriate.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities and deferred inflow of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses and Changes in Fund Net Position. For this purpose, the Authority's operating revenues result from providing low-income housing services such as tenant rent, rental assistance and other tenant charges. Operating expenses include the cost attributed to administration, tenant services, utilities, maintenance and operations and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The reporting model as defined in Statement No. 34 and modified establishes criteria (percentage of the combined assets and deferred outflows of resources, combined liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major Funds. The Authority only has the Public Housing Program therefore it is the sole major Fund.

Budgetary Process

The Authority establishes a budget for the fiscal year and is adopted by the Board of Commissioners.

Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

Cash and Investments

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these basic financial statements. In addition, any marketable securities that are owned by a specific amount and that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents".

The Authority's deposits can only be invested in the following HUD approved investments: direct obligations of the federal government backed by the full faith and credit of the United States, obligations of federal government agencies, securities of government-sponsored agencies, demand and savings deposits, money-market deposit accounts, municipal depository fund, super now accounts, certificate of deposit, repurchase agreements, sweep accounts, separate trading of registered interest and principal securities (STRIPS), and mutual funds that consist of securities purchased from the HUD approved list.

Accounts Receivable

All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible.

Prepaid Items

Prepaid balances are for payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

Inventory

Inventories consist of supplies and are recorded at the lower of cost or market on a first-in, first-out basis.

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. Contributions of assets are recorded at acquisition value at the date donated. The Authority capitalized assets with a cost of \$1,000 or more and over a one year of life or group purchases of like-kind items over \$5,000.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	10-40 years
Furniture and fixtures	5-10 years
Equipment	3-10 years

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted components of net position are available, the Authority's policy is to apply restricted first.

Investment Income

Investment income from pooled cash and investments is allocated monthly based on the percentage of a fund's average pooled cash and investments balance.

Compensated Absences

The Authority's policy requires the staff to use all personal leave time by fiscal year end or forfeit unused balances.

Grant Revenue

The Authority, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements are met in accordance with GASB Statement No. 33. Resources transmitted to the Authority before the eligibility requirements are met are reported as unearned revenue.

Postemployment Benefits Other Than Pensions (OPEB)

OPEB benefits are part of an exchange of salaries and/or benefits in a future period as the result of employee services rendered during employment. In accordance with the accrual basis of accounting, generally benefits should be associated with the periods in which the exchange occurs, rather than with the periods when benefits are paid or provided. The Authority has not incurred, adopted a plan or obligated resources to other postemployment benefits as defined in GASB Statement No. 45.

Income Taxes

The Authority is a governmental subdivision of the State of Nebraska and is exempt from Federal and State income taxes.

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases

The majority of leases and subleases are short-term operating leases.

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2017, the reported amount of the Authority's deposits was \$1,099,265.24 and the bank balance was \$1,103,613.69. Of the bank balance, \$996,265.19 was covered by federal depository insurance and \$107,348.50 was collateral held by Authority's agent in the Authority's name. The Authority had cash on hand of \$100.00 at June 30, 2017.

Investments

Investment of \$121,984 represents the Authority's equity in tax-credit rental projects.

A reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

Cash on hand	\$ 100.00
Carrying amount of deposits	1,099,265.24
Carrying amount of investments	<u>121,984.00</u>
	<u>\$ 1,221,349.24</u>
Cash	\$ 577,949.91
Investments	306,783.36
Cash – restricted	114,631.97
Investments – restricted	<u>221,984.00</u>
	<u>\$ 1,221,349.24</u>

NOTE C – ACCOUNTS RECEIVABLE

A summary of accounts receivable as presented in the Statement of Net Position at June 30, 2017 is as follows:

Tenant receivables	\$ 6,699.63
Management services	23,932.72
Insurance proceeds	33,352.04
Allowance for doubtful accounts	<u>(933.00)</u>
	<u>\$ 63,051.39</u>

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2017

NOTE D – DUE FROM OTHER GOVERNMENTS

A summary of due from other governments as presented in the Statement of Net Position at June 30, 2017 is as follows:

HUD - Capital Funds	\$ 7,834.00
HUD - Operating Subsidy	19,739.00
HUD - HCV administrative fees	<u>825.00</u>
	<u>\$ 28,398.00</u>

NOTE E – NOTES RECEIVABLE

During the year ended June 30, 2010, the Authority received a \$392,941 HOME grant which was passed through the Nebraska Department of Economic Development. The grant proceeds were loaned to the tax-credit project known as Legend Oaks, LLC. The promissory note dated March 17, 2010 earns interest of 4% which compounds annually. The note is due the earlier of January 1, 2026; no later than ninety days after the end of the 15 year compliance period; or the date of the sale of the property or the refinancing of the this loan. The principal and accrued interest balances at June 30, 2017 were \$512,942.93 and \$10,202.80, respectively.

During the year ended June 30, 2014, the Authority entered into a promissory note for \$169,620 with Legend Oaks II, LLC. The promissory note dated November 12, 2013 earns interest at 4% per annum. The loan requires interest only payments on the 10<sup>th</sup> of the month until December 10, 2014, when \$810 monthly payments of principal and interest commence until November 10, 2030 when all unpaid principal is due. The principal and accrued interest balances at June 30, 2017 were \$161,646.84 and \$354.20, respectively.

During the year ended June 30, 2014, the Authority entered into a \$151,851 promissory note with Legend Oaks II, LLC. The promissory note dated November 12, 2013 with an amendment dated November 21, 2014 earns interest at 4% per annum. The interest rate is 2.37% and compounds annually. Payments are due based on residual receipts of the project. The entire unpaid principal balance along with accrued interest shall be paid in full upon the earliest of no less than ninety days after the 15-year compliance period or the date of the sale of the property or the refinancing of this loan. The principal and accrued interest balances at June 30, 2017 were \$160,096.86 and \$1,881.55, respectively.

NOTE F—RESTRICTED ASSETS

The following is a summary of restricted assets at June 30, 2017:

	Cash and Cash Equivalents	Accounts Receivable	Investments	Total
Tenant security deposits	\$ 48,970.32	\$ -	\$ -	\$ 48,970.32
Insurance proceeds	35,398.94	26,127.59	-	61,526.53
Housing assistance payments	29,893.09	-	-	29,893.09
Tax-credit guarantee	-	-	100,000.00	100,000.00
Investment in tax-credit	-	-	121,984.00	121,984.00
Family self-sufficiency escrow	369.59	-	-	369.59
	<u>\$ 114,631.94</u>	<u>\$ 26,127.59</u>	<u>\$ 221,984.00</u>	<u>\$ 362,743.53</u>

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
<b>Non-depreciable assets:</b>				
Land	\$ 359,622.31	\$ -	\$ -	\$ 359,622.31
Construction in progress	-	3,028.60	-	3,028.60
<b>Total non-depreciable assets</b>	<u>359,622.31</u>	<u>3,028.60</u>	<u>-</u>	<u>362,650.91</u>
<b>Depreciable assets</b>				
Buildings	7,502,410.92	39,297.47	-	7,541,708.39
Equipment - Dwelling	146,132.56	-	(899.68)	145,232.88
Equipment - Administration	244,486.05	7,167.14	-	251,653.19
<b>Total depreciable assets</b>	<u>7,893,029.53</u>	<u>46,464.61</u>	<u>(899.68)</u>	<u>7,938,594.46</u>
<b>Total Capital Assets</b>	<u>8,252,651.84</u>	<u>49,493.21</u>	<u>(899.68)</u>	<u>8,301,245.37</u>
<b>Accumulated depreciation</b>				
Buildings	5,062,288.66	264,509.72	-	5,326,798.38
Equipment - Dwelling	108,862.64	8,625.10	(899.68)	116,588.06
Equipment - Administration	213,116.86	14,146.11	-	227,262.97
Total accumulated depreciation	<u>5,384,268.16</u>	<u>287,280.93</u>	<u>(899.68)</u>	<u>5,670,649.41</u>
<b>Depreciable assets, net</b>	<u>2,508,761.37</u>	<u>(240,816.32)</u>	<u>-</u>	<u>2,267,945.05</u>
<b>Capital assets, net</b>	<u>\$ 2,868,383.68</u>	<u>\$ (237,787.72)</u>	<u>\$ -</u>	<u>\$ 2,630,595.96</u>

NOTE H – ACCOUNTS PAYABLE

A summary of accounts payable as presented in the Statement of Net Position at June 30, 2017 is as follows:

Vendors and contractors                   \$ 23,941.58

NOTE I – UNEARNED REVENUE

A summary of unearned revenue as presented in the Statement of Net Position at June 30, 2017 is as follows:

Prepaid rent   \$ 3,651.40

NOTE J – LONG-TERM DEBT

On April 10, 2007, the Authority purchased a storage building which was funded through a mortgage payable. The mortgage matures on April 10, 2037. The interest rate on the mortgage was 5.485% until April 10, 2008. At that time the interest rate will be changed to be 1% above the weekly average yield on United States Treasury Securities adjusted to a constant maturity of five years. The result of that calculation will be rounded to the nearest 0.010. The rate on the note may change as often as every twelve months. The rate at June 30, 2017 was 2.75%. The required monthly payments were \$309.02. The mortgage was paid in full on October 5, 2016.

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2017

NOTE J – LONG-TERM DEBT

A summary of changes in mortgage payable as of June 30, 2017 is as follows:

Description	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017	Due Within One Year
Storage building loan	\$ 6,475.14	\$ -	\$ 6,475.14	\$ -	\$ -

NOTE K – NET POSITION

The fund financial statements utilize a net position presentation. The components of net position are net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets** – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- **Restricted** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The Authority had \$29,893.09 of net position that is restricted for future housing assistance payments in the Housing Choice Voucher program.

The Authority had an additional \$523,145.73 of net position restricted for the HOME grant loan and related interest described in Note E.

The Authority had an additional \$100,000 of net position that is legally restricted to guarantee the tax-credit project.

The Authority had \$61,526.53 of insurance proceeds that are restricted by the Authority's Public Housing annual contributions contract and must be used for the related repairs.

- **Unrestricted** – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE L - PENSION PLAN

All employees who are reasonably expected to receive at least \$3,850 in compensation during the current year are eligible to participate in the Authorities retirement plan, a Simple IRA plan. The Authority is required to make a matching contribution equal to the employee's contribution up to a limit of 3% of the plan-defined compensation for the calendar year. The total payroll for all Housing Authority employees for the year ended June 30, 2017 was \$421,174.68. Employer and employee contributions for the year ended June 30, 2017 were \$10,990.59 and \$11,906.29, respectively, based on wages of \$366,353.



HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE M – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance.

During the year ended June 30, 2017, the Authority did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

NOTE N – SPECIAL ITEMS

The Authority had a fire in the Eastlawn Addition in the prior year. As repairs occurred during the current year, an additional \$158,567.13 of insurance proceeds were earned as the claim progressed and the Authority incurred expenses of \$327,991.66 related to the repairs.

The Authority also earned insurance proceeds of \$61,526.53 related to storm damage to properties in the Public Housing program.

NOTE O – CONTINGENT LIABILITIES

The Authority receives revenues from various federal and state grant programs, which are subject to audit and adjustment by the respective grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. 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.

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## SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
PROGRAM SCHEDULE OF NET POSITION  
June 30, 2017

ASSETS	Public Housing	Housing Choice Voucher	Section 8 New Construction	Pioneer Homes	Management Fund	Development Corporation	Totals
<b>CURRENT ASSETS:</b>							
Cash and cash equivalents	\$ 106,963.29	\$ 18,799.92	\$ 417,421.62	\$ 34,765.08	\$ -	\$ -	\$ 577,949.91
Investments	268,720.59	-	38,062.77	-	-	-	306,783.36
Accounts receivable, net	2,212.13	-	7,832.95	2,946.00	23,932.72	-	36,923.80
Due from other governments	27,573.00	825.00	-	-	-	-	28,398.00
Accrued interest receivable	668.42	0.08	420.00	-	-	-	1,088.50
Prepaid insurance	16,038.67	2,091.82	9,763.76	1,478.14	631.50	-	30,003.89
Notes receivable, current portion	-	-	2,486.06	-	-	-	2,486.06
Interfund receivable	-	-	31,116.50	-	-	-	31,116.50
<i>Restricted:</i>							
Cash and cash equivalents	69,757.38	29,893.09	10,156.50	4,825.00	-	-	114,631.97
Accounts receivable	26,127.59	-	-	-	-	-	26,127.59
<b>TOTAL CURRENT ASSETS</b>	<b>518,061.07</b>	<b>51,609.91</b>	<b>517,260.16</b>	<b>44,014.22</b>	<b>24,564.22</b>	<b>-</b>	<b>1,155,509.58</b>
<b>NONCURRENT ASSETS:</b>							
<i>Restricted:</i>							
Investments	-	-	100,000.00	-	121,984.00	-	221,984.00
Notes receivable, less current portion	-	-	159,160.78	-	673,039.79	-	832,200.57
Accrued interest receivable	-	-	-	-	12,084.35	-	12,084.35
Capital Assets, non-depreciable	224,362.09	-	96,722.82	41,566.00	-	-	362,650.91
Capital Assets, depreciable, net	1,720,722.96	-	370,980.85	176,241.24	-	-	2,267,945.05
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,945,085.05</b>	<b>-</b>	<b>726,864.45</b>	<b>217,807.24</b>	<b>807,108.14</b>	<b>-</b>	<b>3,696,864.88</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,463,146.12</b>	<b>\$ 51,609.91</b>	<b>\$ 1,244,124.61</b>	<b>\$ 261,821.46</b>	<b>\$ 831,672.36</b>	<b>\$ -</b>	<b>\$ 4,852,374.46</b>
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES:</b>							
Accounts payable	\$ 17,101.92	\$ 420.67	\$ 6,046.19	\$ 115.22	\$ 257.58	\$ -	\$ 23,941.58
Accrued salaries and wages payable	12,300.39	4,048.45	21,456.80	520.90	3,650.05	-	41,976.59
Interfund payable	-	-	-	-	30,033.92	1,082.58	31,116.50
Accrued interest payable	-	-	-	0.02	-	-	0.02
Unearned revenue	3,352.00	-	126.00	173.40	-	-	3,651.40
Trust and deposit liabilities	34,358.44	-	10,156.50	4,825.00	-	-	49,339.94
<b>TOTAL CURRENT LIABILITIES</b>	<b>67,112.75</b>	<b>4,469.12</b>	<b>37,785.49</b>	<b>5,634.54</b>	<b>33,941.55</b>	<b>1,082.58</b>	<b>150,026.03</b>
<b>TOTAL LIABILITIES</b>	<b>67,112.75</b>	<b>4,469.12</b>	<b>37,785.49</b>	<b>5,634.54</b>	<b>33,941.55</b>	<b>1,082.58</b>	<b>150,026.03</b>
<b>NET POSITION</b>							
Net investment in capital assets	1,945,085.05	-	467,703.67	217,807.24	-	-	2,630,595.96
Restricted	61,526.53	29,893.09	100,000.00	-	523,145.73	-	714,565.35
Unrestricted	389,421.79	17,247.70	638,635.45	38,379.68	274,585.08	(1,082.58)	1,357,187.12
<b>TOTAL NET POSITION</b>	<b>\$ 2,396,033.37</b>	<b>\$ 47,140.79</b>	<b>\$ 1,206,339.12</b>	<b>\$ 256,186.92</b>	<b>\$ 797,730.81</b>	<b>\$ (1,082.58)</b>	<b>\$ 4,702,348.43</b>

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
PROGRAM SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION  
Year Ended June 30, 2017

	Public Housing	Housing Choice Voucher	Section 8 New Construction	Pioneer Homes	Management Fund	Development Corporation	Totals
<b>OPERATING REVENUES</b>							
Rental income	\$ 281,981.44	\$ -	\$ 115,642.93	\$ 49,149.20	\$ -	\$ -	\$ 446,773.57
HUD contributions	-	565,655.03	168,376.00	-	-	-	734,031.03
Other income	24,971.54	185.00	14,984.70	1,289.55	52,464.61	-	93,895.40
<b>TOTAL OPERATING REVENUES</b>	<b>306,952.98</b>	<b>565,840.03</b>	<b>299,003.63</b>	<b>50,438.75</b>	<b>52,464.61</b>	<b>-</b>	<b>1,274,700.00</b>
<b>OPERATING EXPENSES</b>							
Administrative	128,671.70	74,304.98	146,128.60	7,834.59	41,113.36	198.50	398,251.73
Tenant services	980.31	-	-	-	-	-	980.31
Utilities	44,795.14	-	37,434.04	639.65	-	-	82,868.83
Ordinary maintenance and operations	195,898.98	4,933.03	154,285.30	8,175.82	24,587.51	-	387,880.64
General expense	36,737.54	10,680.96	18,222.98	11,668.84	1,918.89	-	79,229.21
Housing assistance payments	-	458,858.10	-	-	-	-	458,858.10
Depreciation	198,738.47	-	79,170.25	9,372.21	-	-	287,280.93
<b>TOTAL OPERATING EXPENSES</b>	<b>605,822.14</b>	<b>548,777.07</b>	<b>435,241.17</b>	<b>37,691.11</b>	<b>67,619.76</b>	<b>198.50</b>	<b>1,695,349.75</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(298,869.16)</b>	<b>17,062.96</b>	<b>(136,237.54)</b>	<b>12,747.64</b>	<b>(15,155.15)</b>	<b>(198.50)</b>	<b>(420,649.75)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
HUD operating subsidy	98,933.00	-	-	-	-	-	98,933.00
HUD capital grants	3,268.00	-	-	-	-	-	3,268.00
Interest income	1,431.11	18.13	7,503.87	3.67	23,691.21	-	32,647.99
Interest expense	-	-	-	(20.33)	-	-	(20.33)
<b>TOTAL NONOPERATING REVENUES(EXPENSES)</b>	<b>103,632.11</b>	<b>18.13</b>	<b>7,503.87</b>	<b>(16.66)</b>	<b>23,691.21</b>	<b>-</b>	<b>134,828.66</b>
<b>INCOME(LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS</b>	<b>(195,237.05)</b>	<b>17,081.09</b>	<b>(128,733.67)</b>	<b>12,730.98</b>	<b>8,536.06</b>	<b>(198.50)</b>	<b>(285,821.09)</b>
<b>CAPITAL CONTRIBUTIONS</b>							
HUD capital grants	20,942.72	-	-	-	-	-	20,942.72
<b>SPECIAL ITEMS</b>							
Insurance proceeds	61,526.53	-	158,567.13	-	-	-	220,093.66
Casualty loss expenses - fire	-	-	(327,991.66)	-	-	-	(327,991.66)
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>(112,767.80)</b>	<b>17,081.09</b>	<b>(298,158.20)</b>	<b>12,730.98</b>	<b>8,536.06</b>	<b>(198.50)</b>	<b>(372,776.37)</b>
<b>NET POSITION:</b>							
Net position, beginning balance	2,508,801.17	30,059.70	1,504,497.32	243,455.94	789,194.75	(884.08)	5,075,124.80
<b>TOTAL NET POSITION - ENDING BALANCE</b>	<b>\$ 2,396,033.37</b>	<b>\$ 47,140.79</b>	<b>\$ 1,206,339.12</b>	<b>\$ 256,186.92</b>	<b>\$ 797,730.81</b>	<b>\$ (1,082.58)</b>	<b>\$ 4,702,348.43</b>

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
PROGRAM SCHEDULE OF CASH FLOWS  
Year Ended June 30, 2017

	Public Housing	Housing Choice Voucher	Section 8 New Construction	Pioneer Homes	Management Fund	Development Corporation	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Tenant receipts	\$ 306,579.34	\$ -	\$ 129,832.93	\$ 47,530.72	\$ -	\$ -	\$ 483,942.99
HUD receipts	-	569,372.00	168,376.00	-	-	-	737,748.00
Other receipts	600.00	185.00	-	600.00	67,995.04	-	69,380.04
Trust and deposits	2,786.53	-	327.50	325.00	-	-	3,439.03
Cash payments for goods and services	(195,621.97)	(490,831.10)	(170,048.14)	(16,447.21)	(10,009.55)	(198.50)	(883,156.47)
Cash payments to employees for services	(201,571.85)	(58,008.72)	(201,775.15)	(10,644.54)	(58,443.51)	-	(530,443.77)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(87,227.95)	20,717.18	(73,286.86)	21,363.97	(458.02)	(198.50)	(119,090.18)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
HUD operating subsidy	106,942.00	-	-	-	-	-	106,942.00
HUD capital grants	3,268.00	-	-	-	-	-	3,268.00
Principal received on notes receivable	-	-	3,184.40	-	-	-	3,184.40
Net change in interfund borrowing	-	-	(649.81)	-	451.31	198.50	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	110,210.00	-	2,534.59	-	451.31	198.50	113,394.40
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Purchases and construction of capital assets	(22,914.12)	-	(26,579.09)	-	-	-	(49,493.21)
HUD capital grants	59,373.17	-	-	-	-	-	59,373.17
Insurance proceeds	35,398.94	-	247,309.47	-	-	-	282,708.41
Casualty loss payments	-	-	(327,991.66)	-	-	-	(327,991.66)
Mortgage principal payments	-	-	-	(6,475.14)	-	-	(6,475.14)
Interest paid on capital debt	-	-	-	(32.56)	-	-	(32.56)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	71,857.99	-	(107,261.28)	(6,507.70)	-	-	(41,910.99)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Net (deposits) withdrawals to investments	(1,004.91)	-	(242.43)	-	-	-	(1,247.34)
Interest received	1,053.58	18.05	7,531.91	3.67	6.71	-	8,613.92
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	48.67	18.05	7,289.48	3.67	6.71	-	7,366.58
NET INCREASE (DECREASE) IN CASH	94,888.71	20,735.23	(170,724.07)	14,859.94	(0.00)	-	(40,240.19)
CASH AND CASH EQUIVALENTS-BEGINNING	81,831.96	27,957.78	598,302.19	24,730.14	-	-	732,822.07
CASH AND CASH EQUIVALENTS-ENDING	\$ 176,720.67	\$ 48,693.01	\$ 427,578.12	\$ 39,590.08	\$ (0.00)	\$ -	\$ 692,581.88

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
PROGRAM SCHEDULE OF CASH FLOWS (CONT'D)  
Year Ended June 30, 2017

	Public Housing	Housing Choice Voucher	Section 8 New Construction	Pioneer Homes	Management Fund	Development Corporation	Totals
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating income (loss)	\$ (298,869.16)	\$ 17,062.96	\$ (136,237.54)	\$ 12,747.64	\$ (15,155.15)	\$ (198.50)	\$ (420,649.75)
Adjustments to reconcile income from operations to net cash provided by operating activities:							
Depreciation	198,738.47	-	79,170.25	9,372.21	-	-	287,280.93
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	3,063.02	4,979.31	(401.80)	(2,308.03)	15,530.43	-	20,862.93
(Increase) decrease in prepaid expenses	(2,064.88)	(212.35)	(3,311.78)	1,434.18	(100.46)	-	(4,255.29)
Increase (decrease) in accounts payable	7,014.66	(573.61)	(18,406.18)	(140.61)	(330.75)	-	(12,436.49)
Increase (decrease) in accrued salaries	1,069.41	723.21	5,907.89	(66.42)	(402.09)	-	7,232.00
Increase (decrease) in trust and deposit liabilities	2,786.53	-	327.50	325.00	-	-	3,439.03
Increase (decrease) in unearned revenue	1,034.00	(1,262.34)	(335.20)	-	-	-	(563.54)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (87,227.95)</u>	<u>\$ 20,717.18</u>	<u>\$ (73,286.86)</u>	<u>\$ 21,363.97</u>	<u>\$ (458.02)</u>	<u>\$ (198.50)</u>	<u>\$ (119,090.18)</u>

Lexington Housing Authority (NE010)  
Lexington, NE  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14 871 Housing Choice Vouchers	14 182 N/C S/R Section 8 Programs	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$106,964	\$18,800	\$417,422	\$34,765	\$577,951		\$577,951
113 Cash - Other Restricted	\$35,399	\$29,893			\$65,292		\$65,292
114 Cash - Tenant Security Deposits	\$34,358		\$10,157	\$4,825	\$49,340		\$49,340
100 Total Cash	\$176,721	\$48,693	\$427,579	\$39,590	\$692,583	\$0	\$692,583
122 Accounts Receivable - HUD Other Projects	\$27,573	\$825			\$28,398		\$28,398
125 Accounts Receivable - Miscellaneous	\$26,128		\$7,224	\$23,933	\$57,285		\$57,285
126 Accounts Receivable - Tenants	\$3,145		\$609	\$2,946	\$6,700		\$6,700
126.1 Allowance for Doubtful Accounts - Tenants	-\$933		\$0	\$0	-\$933		-\$933
127 Notes, Loans, & Mortgages Receivable - Current			\$2,486		\$2,486		\$2,486
129 Accrued Interest Receivable	\$668		\$420		\$1,088		\$1,088
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$56,581	\$825	\$10,739	\$26,879	\$95,024	\$0	\$95,024
131 Investments - Unrestricted	\$268,721		\$38,063		\$306,784		\$306,784
132 Investments - Restricted			\$100,000		\$100,000		\$100,000
142 Prepaid Expenses and Other Assets	\$16,039	\$2,092	\$9,762	\$2,108	\$30,001		\$30,001
144 Inter Program Due From			\$31,117		\$31,117	-\$31,117	\$0
150 Total Current Assets	\$518,062	\$51,610	\$617,260	\$68,577	\$1,255,509	-\$31,117	\$1,224,392
161 Land	\$221,333		\$96,723	\$41,566	\$359,622		\$359,622
162 Buildings	\$5,386,767		\$1,829,449	\$325,495	\$7,541,711		\$7,541,711
163 Furniture, Equipment & Machinery - Dwellings	\$102,064		\$41,990	\$1,179	\$145,233		\$145,233
164 Furniture, Equipment & Machinery - Administration	\$181,951	\$2,910	\$64,485	\$2,308	\$251,654		\$251,654
166 Accumulated Depreciation	-\$3,950,057	-\$2,910	-\$1,564,943	-\$152,739	-\$5,670,649		-\$5,670,649
167 Construction in Progress	\$3,027				\$3,027		\$3,027
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,945,085	\$0	\$467,704	\$217,809	\$2,630,598	\$0	\$2,630,598
171 Notes, Loans and Mortgages Receivable - Non-Current			\$159,161	\$673,040	\$832,201		\$832,201
174 Other Assets			\$0	\$12,084	\$12,084		\$12,084
176 Investments in Joint Ventures				\$121,984	\$121,984		\$121,984
180 Total Non-Current Assets	\$1,945,085	\$0	\$626,865	\$1,024,917	\$3,596,867	\$0	\$3,596,867
290 Total Assets and Deferred Outflow of Resources	\$2,463,147	\$51,610	\$1,244,125	\$1,093,494	\$4,852,376	-\$31,117	\$4,821,259
312 Accounts Payable <= 90 Days	\$16,253	\$421	\$6,046	\$373	\$23,093		\$23,093
321 Accrued Wage/Payroll Taxes Payable	\$12,300	\$4,048	\$21,457	\$4,171	\$41,976		\$41,976
341 Tenant Security Deposits	\$34,358		\$10,157	\$4,825	\$49,340		\$49,340
342 Unearned Revenue	\$3,352		\$126	\$173	\$3,651		\$3,651
346 Accrued Liabilities - Other	\$850				\$850		\$850
347 Inter Program - Due To				\$31,117	\$31,117	-\$31,117	\$0
310 Total Current Liabilities	\$67,113	\$4,469	\$37,786	\$40,659	\$150,027	-\$31,117	\$118,910
300 Total Liabilities	\$67,113	\$4,469	\$37,786	\$40,659	\$150,027	-\$31,117	\$118,910
608.4 Net Investment in Capital Assets	\$1,945,085		\$467,704	\$217,807	\$2,630,596		\$2,630,596
511.4 Restricted Net Position	\$61,527	\$29,893	\$100,000	\$623,146	\$714,566		\$714,566
512.4 Unrestricted Net Position	\$389,422	\$17,248	\$638,635	\$311,882	\$1,357,187		\$1,357,187
513 Total Equity - Net Assets / Position	\$2,396,034	\$47,141	\$1,206,339	\$1,052,835	\$4,702,349	\$0	\$4,702,349
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,463,147	\$51,610	\$1,244,125	\$1,093,494	\$4,852,376	-\$31,117	\$4,821,259



Lexington Housing Authority (NE010)  
Lexington, NE  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$281,981		\$115,643	\$49,149	\$446,773		\$446,773
70400 Tenant Revenue - Other	\$24,372		\$13,429	\$690	\$38,491		\$38,491
70500 Total Tenant Revenue	\$306,353	\$0	\$129,072	\$49,839	\$485,264		\$485,264
70600 HUD PHA Operating Grants	\$102,201	\$565,655	\$168,376		\$836,232		\$836,232
70610 Capital Grants	\$20,943				\$20,943		\$20,943
71100 Investment Income - Unrestricted	\$1,431	\$18	\$7,504	\$23,695	\$32,648		\$32,648
71400 Fraud Recovery		\$186			\$186		\$186
71500 Other Revenue	\$600		\$1,556	\$53,065	\$55,221		\$55,221
70000 Total Revenue	\$431,528	\$565,859	\$306,508	\$126,599	\$1,430,494		\$1,430,494
91100 Administrative Salaries	\$82,814	\$40,377	\$85,959	\$31,457	\$240,607		\$240,607
91200 Auditing Fees	\$1,973	\$2,769	\$1,119	\$990	\$6,851		\$6,851
91400 Advertising and Marketing	\$2,526	\$1,237	\$4,382	\$314	\$8,459		\$8,459
91500 Employee Benefit contributions - Administrative	\$18,416	\$18,355	\$30,594	\$10,332	\$77,697		\$77,697
91600 Office Expenses	\$11,071	\$5,663	\$5,335	\$3,495	\$25,564		\$25,564
91700 Legal Expense	\$167			\$23	\$190		\$190
91800 Travel	\$913	\$579	\$1,285	\$132	\$2,909		\$2,909
91900 Other	\$10,790	\$5,326	\$17,455	\$2,406	\$35,977		\$35,977
91000 Total Operating - Administrative	\$128,670	\$74,306	\$146,129	\$49,149	\$398,254		\$398,254
92400 Tenant Services - Other	\$980				\$980		\$980
92500 Total Tenant Services	\$980	\$0	\$0	\$0	\$980		\$980
93100 Water	\$3,271		\$1,643	\$55	\$4,969		\$4,969
93200 Electricity	\$21,480		\$16,626	\$584	\$38,690		\$38,690
93300 Gas	\$19,443		\$18,340		\$37,783		\$37,783
93600 Sewer			\$824		\$824		\$824
93800 Other Utilities Expense	\$601				\$601		\$601
93000 Total Utilities	\$44,795	\$0	\$37,433	\$639	\$82,867		\$82,867
94100 Ordinary Maintenance and Operations - Labor	\$83,697		\$67,095	\$21,693	\$172,485		\$172,485
94200 Ordinary Maintenance and Operations - Materials and Other	\$25,968	\$4,933	\$14,698	\$1,150	\$46,749		\$46,749
94300 Ordinary Maintenance and Operations Contracts	\$68,521		\$48,458	\$2,375	\$119,354		\$119,354
94500 Employee Benefit Contributions - Ordinary Maintenance	\$17,715		\$24,035	\$7,545	\$49,295		\$49,295
94000 Total Maintenance	\$195,901	\$4,933	\$154,286	\$32,763	\$387,883		\$387,883
96110 Property Insurance	\$23,161	\$313	\$12,147	\$13,079	\$48,700		\$48,700
96120 Liability Insurance	\$2,071	\$2,576		\$20	\$4,667		\$4,667
96130 Workmen's Compensation	\$5,617	\$2,300	\$5,438	\$253	\$13,608		\$13,608
96140 All Other Insurance	\$1,983	\$227	\$580	\$16	\$2,806		\$2,806
96100 Total insurance Premiums	\$32,832	\$5,416	\$18,165	\$13,368	\$69,781		\$69,781
96200 Other General Expenses		\$5,265			\$5,265		\$5,265
96400 Bad debt - Tenant Rents	\$3,871		\$58	\$220	\$4,149		\$4,149
96600 Bad debt - Other	\$35				\$35		\$35
96000 Total Other General Expenses	\$3,906	\$5,265	\$58	\$220	\$9,449		\$9,449
96710 Interest of Mortgage (or Bonds) Payable				\$20	\$20		\$20
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$20	\$20		\$20
96900 Total Operating Expenses	\$407,084	\$89,920	\$356,071	\$96,159	\$949,234		\$949,234
97000 Excess of Operating Revenue over Operating Expenses	\$24,444	\$475,939	-\$49,563	\$30,440	\$481,260		\$481,260
97300 Housing Assistance Payments		\$458,858			\$458,858		\$458,858
97400 Depreciation Expense	\$198,738		\$79,170	\$9,372	\$287,280		\$287,280
90000 Total Expenses	\$605,822	\$548,778	\$435,241	\$105,531	\$1,695,372		\$1,695,372
10010 Operating Transfer In	\$3,268				\$3,268		\$3,268
10020 Operating transfer Out	-\$3,268				-\$3,268		-\$3,268
10080 Special Items (Net Gain/Loss)	\$61,527		-\$169,425		-\$107,898		-\$107,898
10100 Total Other financing Sources (Uses)	\$61,527	\$0	-\$169,425	\$0	-\$107,898		-\$107,898
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$112,767	\$17,081	-\$298,158	\$21,068	-\$372,776		-\$372,776
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$6,475	\$6,475		\$6,475
11030 Beginning Equity	\$2,508,801	\$30,060	\$1,504,497	\$1,031,767	\$5,075,125		\$5,075,125
11170 Administrative Fee Equity		\$17,248			\$17,248		\$17,248
11180 Housing Assistance Payments Equity		\$29,693			\$29,693		\$29,693
11190 Unit Months Available	972	1476	576	552	3576		3576
11210 Number of Unit Months Leased	936	1476	428	545	3385		3385
11270 Excess Cash	\$365,588				\$365,588		\$365,588
11620 Building Purchases	\$20,061				\$20,061		\$20,061
11640 Furniture & Equipment - Administrative Purchases	\$2,853				\$2,853		\$2,853

Lexington Housing Authority (NE010)

Lexington, NE

Single Project Revenue and Expense

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

Project: NE010000001 EASTLAWN

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	\$281,981		\$281,981
70400 Tenant Revenue - Other	\$24,372		\$24,372
70500 Total Tenant Revenue	\$306,353	\$0	\$306,353
70600 HUD PHA Operating Grants	\$98,933	\$3,268	\$102,201
70610 Capital Grants		\$20,943	\$20,943
71100 Investment Income - Unrestricted	\$1,431		\$1,431
71500 Other Revenue	\$600		\$600
70000 Total Revenue	\$407,317	\$24,211	\$431,528
91100 Administrative Salaries	\$82,814		\$82,814
91200 Auditing Fees	\$1,973		\$1,973
91400 Advertising and Marketing	\$2,526		\$2,526
91500 Employee Benefit contributions - Administrative	\$18,416		\$18,416
91600 Office Expenses	\$11,071		\$11,071
91700 Legal Expense	\$167		\$167
91800 Travel	\$913		\$913
91900 Other	\$10,790		\$10,790
91000 Total Operating - Administrative	\$128,670	\$0	\$128,670
92400 Tenant Services - Other	\$980		\$980
92500 Total Tenant Services	\$980	\$0	\$980
93100 Water	\$3,271		\$3,271
93200 Electricity	\$21,480		\$21,480
93300 Gas	\$19,443		\$19,443
93800 Other Utilities Expense	\$601		\$601
93000 Total Utilities	\$44,795	\$0	\$44,795
94100 Ordinary Maintenance and Operations - Labor	\$83,697		\$83,697
94200 Ordinary Maintenance and Operations - Materials and Other	\$25,968		\$25,968
94300 Ordinary Maintenance and Operations Contracts	\$68,521	\$0	\$68,521
94500 Employee Benefit Contributions - Ordinary Maintenance	\$17,715		\$17,715
94000 Total Maintenance	\$195,901	\$0	\$195,901
96110 Property Insurance	\$23,161		\$23,161
96120 Liability Insurance	\$2,071		\$2,071
96130 Workmen's Compensation	\$5,617		\$5,617
96140 All Other Insurance	\$1,983		\$1,983
96100 Total Insurance Premiums	\$32,832	\$0	\$32,832
96400 Bad debt - Tenant Rents	\$3,871		\$3,871
96600 Bad debt - Other	\$35		\$35
96000 Total Other General Expenses	\$3,906	\$0	\$3,906
96900 Total Operating Expenses	\$407,084	\$0	\$407,084
97000 Excess of Operating Revenue over Operating Expenses	\$233	\$24,211	\$24,444
97400 Depreciation Expense	\$198,738		\$198,738
90000 Total Expenses	\$605,822	\$0	\$605,822
10010 Operating Transfer In	\$3,268		\$3,268
10020 Operating transfer Out		-\$3,268	-\$3,268
10080 Special Items (Net Gain/Loss)	\$61,527		\$61,527
10100 Total Other financing Sources (Uses)	\$64,795	-\$3,268	\$61,527
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$133,710	\$20,943	-\$112,767
11030 Beginning Equity	\$2,508,801	\$0	\$2,508,801
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$20,943	-\$20,943	\$0
11190 Unit Months Available	972		972
11210 Number of Unit Months Leased	936		936
11270 Excess Cash	\$365,588		\$365,588
11620 Building Purchases	\$1,971	\$18,090	\$20,061
11640 Furniture & Equipment - Administrative Purchases	\$0	\$2,853	\$2,853

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2017

Federal Grantor	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
<b>Public Housing:</b>		
Operating subsidy - Public Housing	14.850	\$ 98,933.00
<b>Lower Income Housing Assistance Program - Section 8 New Construction/Substantial Rehabilitation</b>		
East Lawn Addition	14.182	168,376.00
<b>Section 8 Housing Choice Voucher</b>		
Section 8 Housing Choice Voucher	14.871	565,655.03
<b>Capital Funds</b>		
Capital Funds	14.872	<u>24,210.72</u>
Total Federal Awards Expended		<u>\$ 857,174.75</u>

Notes to the Schedule

1. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority of the City of Lexington, Nebraska and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

2. The entity did not elect to use the 10% de minimus cost rate as covered in § 200.414 Indirect (F&A) costs.

SINGLE AUDIT SECTION

Randal D. Niewedde, CPA  
Jeffrey J. Wiens, CPA

**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***

**Independent Auditor's Report**

To the Board of Commissioners  
Housing Authority of the City of Lexington, Nebraska

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 basic financial statements of the Housing Authority of the City of Lexington, Nebraska, as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise Housing Authority of the City of Lexington, Nebraska's basic financial statements, and have issued our report thereon dated February 17, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered Housing Authority of the City of Lexington, Nebraska'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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Lexington, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Lexington, Nebraska's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 basic 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2017-001 and 2017-002 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Housing Authority of the City of Lexington, Nebraska's basic financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as Finding 2017-002.

### **Housing Authority of the City of Lexington, Nebraska's Responses to Findings**

Housing Authority of the City of Lexington, Nebraska's responses to the findings identified in our audit are described in the accompanying corrective action plan. Housing Authority of the City of Lexington, Nebraska's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Niewedde & Wiens, CPAs*

York, Nebraska  
February 17, 2018

Randal D. Niewedde, CPA

Jeffrey J. Wiens, CPA

**Report on Compliance For Each Major Federal Program; Report on  
Internal Control Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

To the Board of Commissioners  
Housing Authority of the City of Lexington, Nebraska

**Report on Compliance for Each Major Federal Program**

We have audited Housing Authority of the City of Lexington, Nebraska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Lexington, Nebraska's major federal programs for the year ended June 30, 2017. Housing Authority of the City of Lexington, Nebraska's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of Lexington, Nebraska'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 the 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 Housing Authority of the City of Lexington, Nebraska'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 Housing Authority of the City of Lexington, Nebraska's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Housing Authority of the City of Lexington, Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and is described in the accompanying schedule of findings and questioned costs as Finding 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

Housing Authority of the City of Lexington, Nebraska's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Housing Authority of the City of Lexington, Nebraska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## **Report on Internal Control Over Compliance**

Management of Housing Authority of the City of Lexington, Nebraska 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 Housing Authority of the City of Lexington, Nebraska'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 Housing Authority of the City of Lexington, Nebraska'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and question costs as Finding 2017-003 we consider to be a material weakness.

Housing Authority of the City of Lexington, Nebraska's response to the internal control over compliance finding identified in our audit are described in the accompanying Corrective Action Plan. Housing Authority of the City of Lexington, Nebraska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Niewedde & Wiens, CPAs*

York, Nebraska  
February 17, 2018



# **HOUSING AUTHORITY OF THE CITY OF LEXINGTON**



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## STATUS OF PRIOR YEAR AUDIT FINDINGS

The audit report for the year ended June 30, 2016 contained the following finding and no questioned costs.

Section II: Finding 2016-001 – Repeated. The prior year items had been reviewed but adequate steps to ensure they were corrected did not occur.

Section III: None

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2017

**Section I - Summary of Auditors Results:**

- We issued an unmodified opinion on the basic financial statements of the Housing Authority of the City of Lexington, Nebraska for the fiscal year ended June 30, 2017.

**Financial Statements:**

- The results of our audit procedures disclosed two material weaknesses and no significant deficiencies in internal control over financial reporting for the fiscal year ended June 30, 2017. The material weaknesses are reported as Findings 2017-001 and 2017-002.
- We noted an instance of noncompliance which is material to the financial statements for the fiscal year ended June 30, 2017.

**Federal Awards:**

- We issued an unmodified opinion on compliance for the major program for the fiscal year ended June 30, 2017.
- The results of our audit procedures disclosed one material weaknesses and no significant deficiencies in internal control over major programs for the fiscal year ended June 30, 2017. The material weakness is reported as Finding 2017-003.
- The results of our audit procedures disclosed one audit finding, Finding 2017-003, that is required to be reported under code § .516 of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
- The programs identified and audited as major are as follows: Housing Choice Voucher (14.871).
- The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- For the fiscal year ended June 30, 2017, the Housing Authority of the City of Lexington, Nebraska did not qualify as a low-risk auditee.

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
June 30, 2017

**Section II - Financial Statement Findings:**

**Finding 2017-001: Selection and Application of Accounting Principles**

**Material Weakness**

**Repeat Finding 2016-001**

**Criteria:** The Authority is responsible for selection and application of accounting principles.

**Condition:** The Authority is solely responsible for selection and application of accounting principles; however, the Authority does rely on its fee accountant to assist with proper application of accounting principles. During our audit, we noted the following instances where generally accepted accounting principles were not followed:

- The Authority miscoded a HAP advance in the Housing Choice Voucher program as an administrative advance as the advances were not properly reconciled to the disbursement schedule provided by HUD.
- The Authority recorded the administrative fee earned in the Housing Choice Voucher program on the cash basis of accounting instead of the accrual basis as required by generally accepted accounting principles.
- The unaudited financial data schedule submitted for the year ended June 30, 2017 was misstated as the Authority reported restricted cash of \$29,893 for excess housing assistance payments as unrestricted and did properly report restricted net position of \$29,893.
- The interfund balance on the unaudited financial data schedule did not balance and were not eliminated as required.
- The Authority has a \$100,000 guarantee related to a tax-credit project which should have been reported as a restricted investment in the Section 8 New Construction program but was incorrectly reported as an unrestricted investment.
- The Authority improperly accrued \$8,121 of July, 2017 operating subsidy as revenue at June 30, 2017.
- The Authority recorded depreciation costs on architect fees for which the related project had not started yet as of June 30, 2017.
- The Authority had received insurance proceeds in the Public Housing program of \$35,398.94 which were unspent as of June 30, 2017. These funds should have been reported as restricted net position on the unaudited financial data schedule but were not. The Authority had additional insurance proceeds of \$7,224.45 in the Section 8 New Construction program that should have been accrued. The Authority failed to accrue additional insurance proceeds of \$26,127.59 related to storm damage in the Public Housing program. This is a continuation of a prior year issue.
- The investment in the tax-credit project is not being analyzed and adjusted on an annual basis.
- The interest on the two notes receivable was neither accrued or compounded during the year as the balances did not change during the year.
- The payroll accrual as of June 30, 2017 was missing numerous salaries and adjustments needed to be recorded to correct the accrual. Further, some salaries were incorrectly recorded as accounts payable.
- The journal vouchers used to record transactions should be adequately supported. The journal vouchers to record accounts payable only had a summary by total and account coding and did not indicate the underlying transaction. Once requested from the fee accountant, the support did not reconcile to journal entry and there were various coding errors.

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
June 30, 2017

**Section II - Financial Statement Findings (Cont'd):**

**Finding 2017-001: Selection and Application of Accounting Principles (Cont'd)**

- The Authority's system for allocating employee benefits is not equitable between programs with the Section 8 New Construction and Voucher programs incurring a much higher percentage than the Public Housing program. Had the benefit expenses been equitably distributed, the Public Housing program would have had approximately \$16,000 more employee benefit expense while the Section 8 New Construction program and the Housing Choice Voucher program having \$8,000 and \$6,000 less, respectively.
- The Authority does a budget for each program but not all programs include it with the monthly financial reports. We further noted such things as benefit costs are not allocated between administrative and maintenance expenses. As not all budgets are not reported with the monthly financial reports and the budget does not always follow the actual accounts used, it makes it difficult for staff and the Board of Commissioners to accurately oversee the financials and to do an accurate budget to actual analysis. As a result, Public Housing was overbudget by \$30,298 based on the unaudited figures. We further noted the Section 8 New Construction budget was not reasonable compared to the program's history and was overbudget by \$119,010.

**Cause:** The Authority and its fee accountant did not have proper procedures at year end to adequately review and reconcile the balance that, had that been done, would have caught the errors reported. Further, the Authority's system for budgeting continues to be deficient and does not easily translate to a system where an actual to budget comparison can be done and the Board of Commissioners can oversee as a whole.

**Effect or Potential Effect:** The financial information used to prepare the financial statements was misstated prior to adjustments made during the audit process and the budget control process is ineffective.

**Recommendation:** The Authority should review the errors noted above. The accounting and reporting errors have been an ongoing issue for the Authority and these are all items that had a proper review been done would have been caught. Based on that, the Authority should review the issues with its current fee accountant and evaluate its accounting options.

For the employee benefit allocation issue, the Authority should review its system to ensure each program gets an equitable share.

For the budget issue, we reviewed a budget system with the Executive Director where the budget would be developed that was in a similar format to the Authority's financial statements as reported in accordance with generally accepted accounting principles. The budget would have a column for each program the Authority maintains with a total so the Board of Commissioners can not only approve a budget for each program, but the Authority as a whole. The budget should be based on historical items and currently known facts. The budget should be included with the monthly financial records so the board can compare to the budget so that adequate financial decisions can be made.

**View of the Responsible Officials of the Auditee:** The auditee's management agrees with the finding.

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
June 30, 2017

**Section II - Financial Statement Findings (Cont'd):**

**Finding 2017-2: Related Party Transactions/Inventory Control**  
**Material Weakness\Noncompliance**  
**Questioned Costs: \$600.00**

**Criteria:** The State Housing law Section 71-15,149-152 (effective January 1, 2000) contains provisions to address potential conflicts of interest. It states in part that,

Section 71-15,149

*"Housing agency official means any representative of a housing agency or any director, officer or employee of a resident management corporation or other resident organization who exercises authority or carries out responsibilities in connection with the housing agency's developments, including any member of such person's immediate family, any business entity or organization in which such person holds an interest, and any business partner of such person. Immediate family includes spouses, children, siblings, and parents and includes stepparents or stepchildren, inlaws, and half sisters or half brothers.*

Section 71-15,150

*"no housing agency official shall own or hold an interest in any contract or property or engage in any business, transaction, or professional or personal activity that would be or appear to be in conflict with such official's duties relating to the housing agency served by or subject to the authority of such official. "*

Further, the Authority should have policies and procedures in place where only materials needed for the Authority are purchased for Housing Authority purposes and adequate inventory controls maintained.

**Condition:** The Authority's Board of Commissioners approved the purchase of a trailer for \$600 from the Authority's maintenance supervisor which was also the Executive Director's husband. The Executive Director subsequently retired from the Authority.

It was further brought to our attention by an Authority employee that the Executive Director was authorizing the purchase of carpeting for the Authority but then the Executive Director was purchasing the carpeting from the Authority. There were no controls in place to ensure the Authority was properly reimbursed for the amount sold to the Executive Director. The Authority is sales tax exempt so unless the Executive Director reported the purchase on her tax return, sales tax would have been avoided.

**Cause:** The Authority was not adequately aware of the restricted on related party transactions. Further, the Authority did not have procedures or policies in place that prevented the Authority's employees from purchasing materials from the Authority. The Authority does have an ethics and anti-fraud policy in place that failed as staff feared repercussions if reported.

**Effect or Potential Effect:** The Authority was in noncompliance with state law. Further, the Authority did not have adequate controls to ensure only items needed for the Authority were purchased and inventory controls to ensure the items were only used for Authority purposes.

**Recommendation:** The Authority's Board of Commissioners and Executive Director should familiarize itself with State law in regards to related party transactions. Further, although not applicable to the situation above, the Authority should familiarize itself with its Annual Contributions Contract with HUD as it has similar requirements. The Authority should establish a policy of where only items needed for current Authority needs are purchased and an adequate inventory internal control be established. The Authority should review its ethics and anti-fraud policies and update as necessary so that staff feel comfortable approaching a Board member with there concerns without fear of repercussions.

**View of the Responsible Officials of the Auditee:** The auditee's management agrees with the finding.

HOUSING AUTHORITY OF THE CITY OF LEXINGTON, NEBRASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
June 30, 2017

**Section III - Federal Award Findings and Questioned Costs:**

**Finding 2017-003: Reporting**  
**Housing Choice Voucher – CFDA 14.871**  
**Material Weakness/Noncompliance**

**Criteria:** The Authority is required to report accurately the financial element required on the financial data schedule to HUD.

**Condition:** During our audit, we noted the unaudited Financial Data Schedule transmitted to the Real Estate Assessment Center did not properly report restricted cash of \$29,893 on line 113 or related restricted net position of \$29,893 on line 511.4. The Authority reported both as unrestricted cash and unrestricted net position. The Authority did report the Housing Assistance Payments Equity (restricted net position) on line 11180. Line 511.4 and line 11180 should reconcile. The Authority relies on its fee accountant to properly report these items without controls overseeing the process.

**Cause:** The items were not properly reported and review procedures, if done, failed to identify the errors.

**Effect or Potential Effect:** The Authority's unaudited financial data schedule was incorrect which lead to various issues reconciling the financial data schedule to the Voucher Management System.

**Recommendation:** The Authority should review this with the fee accountant as reported restricted cash and restricted net position is a common item and should not be missed.

**View of the Responsible Officials of the Auditee:** The auditee's management agrees with the finding.



# **HOUSING AUTHORITY OF THE CITY OF LEXINGTON**

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February 8, 2018

Contact: Derek Haines Executive Director

## **Finding 2017 – 001**

We agree with the finding as stated in the audit for fiscal year ending 2017.

The findings have been communicated with our fee accountant. From reviewing prior audits and other information that we have received it appears that these errors have occurred in the past. We understand that we are ultimately responsible for the accounting and we will strongly suggest that our accountant get processes in place to correct these errors now and going forward. These errors occurred during the employment of the prior Executive Director and the current Executive Director is taking these items very seriously.

We are in the process of streamlining our reporting to the accountant and are able to send some of the required reports directly from our software system as opposed to handwritten reports that were previously compiled.

We are currently reviewing our accounting options as we move forward as these issues have been ongoing but we have received reassurances from our fee accountant that the items will be corrected by June 30, 2018.

## **Finding 2017 – 002**

We agree with the finding as stated in the audit for fiscal year ending 2017.

The reported items occurred during the employment of the prior Executive Director. The board of commissioners approved the purchase of a trailer from the maintenance supervisor who is the husband of the retired Executive Director in the amount of \$600. At the February 21, 2018 board meeting the Ethics Policy, Mission Statement and Code of Conduct will be reviewed. Additionally, the Anti-Fraud Policy will be reviewed at the same meeting. The same policies will be reviewed at an employee meeting the following day and employees will be encouraged to report any items in question to the director or directly to a board member as needed. It will be expressed to the employees that the reporting can be done without the fear of repercussions.

The practice of purchasing items from employees of the Lexington Housing Authority which could potentially be in violation of state law will cease as of 2-8-2018.

The Lexington Housing Authority is developing an inventory system to eliminate some of the potential for fraud. Many of the bigger ticket items have been noted and a true count of the items will be completed. It is anticipated that this will be completed by May 1, 2018.





# **HOUSING AUTHORITY OF THE CITY OF LEXINGTON**

## **Finding 2017 – 003**

We agree with the finding as stated in the audit for fiscal year ending 2017.

The findings have been communicated with our fee accountant and we have received assurances that the errors will be corrected for the June 30, 2018 reporting. As noted in our reply to Finding 2017-001, we are evaluating our accounting options.

