

LOWELL HOUSING AUTHORITY
Lowell, Massachusetts

FINANCIAL STATEMENTS

September 30, 2017

TABLE OF CONTENTS

	Page
Independent Auditors' Report	4
Management's Discussion and Analysis.....	7
Basic Financial Statements	
Statement of Net Position	
September 30, 2017	17
Statement of Revenues, Expenses and Changes in Fund Net Position	
For the Year Ended September 30, 2017.....	18
Statement of Cash Flows	
For the Year Ended September 30, 2017.....	19
Notes to Financial Statements	
Note 1 – Organization	20
Note 2 – Summary of Significant Accounting Policies.....	22
Note 3 – Net Position: Restricted	25
Note 4 – Cash and Investment Deposits.....	26
Note 5 – Restrictions on Cash, Cash Equivalents and Investments	26
Note 6 – Accounts Receivable	27
Note 7 – Notes Receivable	27
Note 8 – Capital Assets	28
Note 9 – Noncurrent Liabilities.....	28
Note 10 – Long Term Debt	29
Note 11 – Real Estate Taxes.....	30
Note 12 – Cost-Sharing Defined Benefit Pension Plan.....	31
Note 13 – Other Post-Employment Benefits	34
Note 14 – Other Retirement Plans.....	36
Note 15 – Risk Management	37
Note 16 – Impairment of Capital Assets	37
Note 17 – Economic Dependency	37
Note 18 – Subsequent Events.....	37
Required Supplemental Information	
Schedule of Funding Progress	39
Schedule of the Proportionate Share of the Net Pension Liability	40
Schedule of Contributions	41
Notes to Required Supplemental Information	42

TABLE OF CONTENTS – (Continued)

	Page
Supplemental Information	
Supplemental Financial Data Schedule	44
Statement and Certification of Actual Modernization Costs	54
Statement of Actual Modernization Costs - Uncompleted	55
Statement and Certification of Actual Grant Costs	56
Statement of Actual Grant Costs - Uncompleted.....	57
Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2017	58
Notes to Schedule of Expenditures of Federal Awards	59
Independent Auditors’ 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.....	60
Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	62
Schedule of Findings and Questioned Costs For the Year Ended September 30, 2017	64
Corrective Action Plan.....	67

INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners
Lowell Housing Authority
Lowell, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

The Lowell Housing Authority's management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lowell Housing Authority, as of September 30, 2017, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the required supplemental information presented on pages 39 through 42, as listed 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 audits 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lowell Housing Authority's basic financial statements. The supplemental information presented on pages 44 through 57, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 supplemental information presented on pages 44 through 57 and the Schedule of Expenditures of Federal Awards are the responsibility of management and was 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 supplemental information presented on pages 44 through 57 and the Schedule of Expenditures of Federal Awards is 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 issued our report dated June 1, 2018 on our consideration of the Lowell Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.



Braintree, Massachusetts
June 1, 2018

MANAGEMENT'S DISCUSSION & ANALYSIS

LOWELL HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2017

As management of the LHA, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 17.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$20,951,891 (net position) representing a decrease of \$1,134,247 compared to the amount reported at September 30, 2016.
- Net position of the Authority consisted of Investment in Capital Assets in the amount of \$33,107,197; Unrestricted Net Position in the amount of \$(12,299,163); and Restricted Net Position in the amount of \$143,857.
- The Authority's unrestricted cash and investments at September 30, 2017, was \$9,898,564 representing an increase of \$2,974,861 from September 30, 2016.
- The Authority had intergovernmental revenues of \$25,839,808; program revenues (charges for services) of \$8,609,010; and other revenues of \$565,763 for the year ended September 30, 2017. The Authority had program expenses (excluding depreciation) of \$32,192,968 for the year ended September 30, 2017. During this period the Authority had depreciation expense of \$4,076,580.
- The Authority's capital outlay for the year was \$1,861,648. This amount was invested in rehabilitation of existing units, exterior renovations, vehicles, and site improvements funded by state and federal capital grants.

OVERVIEW OF THE LOWELL HOUSING AUTHORITY

The Lowell Housing Authority (hereinafter, "Authority") is a public entity that was formed in 1937 to provide federally subsidized housing and housing assistance to low-income families, within the City of Lowell, Massachusetts. The Authority is headed by an Executive Director (ED) and is governed by a five-person Board of Commissioners. Currently, the Authority owns and/or manages 1,698 units in Federal family and elderly/disabled housing developments and 190 units in State housing developments. In addition, the Authority administers a total of 1,246 Section 8 Housing Choice Vouchers and 100 Massachusetts Rental Vouchers, for a total of 3,234 units. The Authority has approximately 84 full time and 10 part-time employees.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements consist of two sections:

- Section 1: Management Discussion and Analysis: The intent of this section is to provide an introduction to the Authority's basic financial statements.
- Section 2: Financial Statements: This section consists of:
 - Part 1: Government-wide financial statements
 - Part 2: Notes to financial statements including schedules of expenditures of federal awards as supplementary information to the basic financial statements.

LOWELL HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2017

The Authority's financial information is represented in accordance with generally accepted accounting principles (GAAP) for the United States of America. In addition, the Authority is classified as a special purpose government accounted for as enterprise funds. As a single purpose enterprise fund government, the Authority is permitted to issue combined entity level and fund level financial statements. These statements report financial information for each of the Authority's funds and a combined total of all funds that represent the Authority-wide financial position. The following is a brief description of each financial statement.

Statement of Net Position

- The statement of net position is prepared using the accrual basis of accounting and provides information relating to all financial and capital resources for the Authority as of the reporting date and related debts and other liabilities. The statement of net position is presented in a format where assets equal liabilities plus net position. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-current".
- Net Position represents the cumulative effect of revenue and expenses. It is also the difference between assets and liabilities. Net Position is reported in three categories:
 - Unrestricted Net Position: This category is designed to represent the net available liquid assets (non-capital), net of liabilities, for the entire Authority.
 - Net Investment in Capital Assets: This category consists of all Capital Assets, reduced by the outstanding balances of any bond, mortgages, notes or other borrowing agreements that are attributable to the acquisition, construction, or improvement of those assets.
 - Restricted Net Position: This category consists of assets that have constraints placed upon them by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Statement of Revenue Expenses and Changes in Fund Net Position

- This statement is similar to an Income Statement which is the change in Net Position (i.e. Net Income or Loss), and includes:
 - Operating Revenue such as rental income
 - Operating Expenses such as:
 - Administrative costs
 - Utilities
 - Maintenance costs
 - Depreciation expense
 - Non-Operating Revenue such as:
 - Grant revenue
 - Investment income
 - Non-Operating Expenses such as Interest expense
 - Capital Contributions and Operating Transfers

LOWELL HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2017

Statement of Cash Flows

- This statement functions down to the net increase or decrease to cash for the reporting period. The statement shows the sources and uses of cash flowing through the Authority and includes:
 - Cash received from tenants
 - Cash received from grants
 - Cash received from loans, etc.
 - Cash used for payments to vendors and contractors
 - Cash used for payments to employees
 - Cash used for loan repayments
- This statement is divided into four major categories:
 - Operating
 - Non-Capital financing
 - Capital and related financing
 - Investing

Authority Funds

The Authority maintains its accounting records by program and operates the following programs:

Low Rent Public Housing – (Asset Management Projects (AMPS)) – This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Authority receives grants from HUD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income.

Public Housing Capital Fund – HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the Low Rent Public Housing Program. A portion of these funds may also be used to support operations and to make improvements in the management and operation of the Authority.

Section 8 Housing Choice Voucher and the Family Self Sufficiency Program (FSS) – HUD provides grants to the Authority to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program, qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority will subsidize the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard.

FSS helps eligible individuals acquire the skills and experience needed to obtain work that pays a living wage, and also offers them an opportunity to save towards home-ownership. The Authority works with welfare agencies, schools, businesses, and other local partners to help FSS participants access services including but not limited to; child care, transportation, education, and home-ownership counseling.

LOWELL HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2017

Resident Opportunities and Self Sufficiency (ROSS) – ROSS links public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient. Grants are received from HUD pursuant to a detailed application submitted by the Authority.

Central Office Cost Center (COCC) – This program tracks common overhead expenses incurred by the Authority. To offset these common expenses, the COCC receives monthly a property management, bookkeeping and asset management fee from the AMPs. Additionally the COCC receives from the Section 8 Housing Choice Voucher Program a monthly property management and bookkeeping fee. The State Housing Programs of the Authority are excluded from this method of cost allocation; therefore, overhead expenses are allocated directly to these programs.

State and Local Programs – The Authority operates the following state and local programs:

State Consolidated and State Chapter 705 Housing – Under these programs, the Authority owns, operates and maintains rental housing acquired with grants from Massachusetts Department of Housing & Community Development (DHCD). Dwelling units are leased to low income tenants at rates based on their ability to pay. Operations are supported by DHCD via operating grants.

State Chapter 689 Housing – Under this program, the Authority owns operates and maintains rental housing acquired with grants from DHCD. The building is generally rented to a non-profit corporation who provides health and human resource needs to mentally disabled individuals.

Massachusetts Rental Voucher Program (MRVP) – DHCD provides grants to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority subsidizes the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a contract amount.

Authority-owned Section 8 New Construction Program – DHCD provides a direct mortgage to the Authority as owners of a residential rental building. As a condition of the mortgage, the Authority has entered into a long-term contract to rent the dwelling units to low income individuals or families and receives project-based Section 8 rental assistance from DHCD through a contract between DHCD and HUD. Under the contract, the Authority receives a subsidy equal to the difference between an approved contract rent and the tenant's share of the rent determined under HUD Section 8 regulations.

State Modernization Program – DHCD provides grant funds to authorities with State Consolidated units based on the Authority's application and determination of need. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the State Consolidated Housing Program.

LOWELL HOUSING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017**

AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

The Authority's total assets and deferred outflows at September 30, 2017, were \$51,353,822 which represents an increase of \$18,046 as compared to the amount at September 30, 2016.

The Authority's overall financial position and results of operations are presented at the end of this report.

CAPITAL ASSETS

As of September 30, 2017, the Authority's investment in capital assets for its governmental activities was \$33,107,197 (which is net of accumulated depreciation and related capital debt). This investment in capital assets includes land, buildings, building improvements, office equipment and maintenance equipment. The Authority holds \$2,711,655 in capital debt attached to energy improvements at federal public housing sites and the Authority's HUD Section 8 New Construction site – Archie Kenefick Manor.

Capital assets at September 30, 2017 and 2016 were as follows:

**CAPITAL ASSET ANALYSIS
September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Land	\$ 5,409,021	\$ 5,415,840	\$ (6,819)	-0.13%
Buildings	112,263,103	112,175,758	87,345	0.08%
Furniture and equipment	699,553	669,459	30,094	4.50%
Construction in progress	<u>4,310,499</u>	<u>2,846,197</u>	<u>1,464,302</u>	51.45%
Total capital assets	122,682,176	121,107,254	1,574,922	1.30%
Accumulated depreciation	<u>(86,863,324)</u>	<u>(83,157,912)</u>	<u>(3,705,412)</u>	4.46%
Capital assets, net of accumulated depreciation	<u>\$ 35,818,852</u>	<u>\$ 37,949,342</u>	<u>\$ (2,130,490)</u>	-5.61%

LONG TERM DEBT

Long term debt at September 30, 2017 and 2016 was as follows:

**LONG TERM DEBT ANALYSIS
September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Long term debt	<u>\$ 2,711,655</u>	<u>\$ 3,666,838</u>	<u>\$ (955,183)</u>	-26.05%

LOWELL HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2017

ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGET

The following factors were considered in preparing the Authority's budget for Fiscal Year 2018:

- At time of FY 2018 budget preparation, published CY 2018 Administrative Fee Subsidies for the Housing Choice Voucher program were not available, therefore; CY 2017 rate of \$112.39 (Column A) per unit month funded at 84 percent for quarter 1 and 80 percent for quarters 2 through 4 were used for the budget estimate.
- CY 2017 operating fund subsidy eligibility was calculated at \$7.7 Million. This amount is subject to proration loss. Funding proration was estimated at 93 percent during budget preparation based on industry projections, for the first quarter of the fiscal year. Calendar year 2018 eligibility was estimated at the same \$7.7M with proration decreased to 90%. 2018 operating fund guidelines and forms are not available at time of LHA budget preparation.
- The Authority experienced a \$165,367 increase in MA State Retirement cash contributions during State FY 2017. It has become increasingly difficult to accurately budget pension expense under GASB 68, full recognition of liability, because the actuarial report from the City of Lowell is not available until well after budget preparation, typically after fiscal year end. In 2017, the GASB 68 actuarially calculated pension expense was \$980,000 higher than our actual cash outlay.
- The Authority has realized slight increase in HUD Capital Fund Grants since FFY 2013, with a combined four-year increase of \$384,921, or \$96,230 per year. The total FFY 2016 grant is \$2,807,000.
- State subsidy guidelines were not released prior to budget preparation or within a reasonable number of weeks after year end close. Annual eligibility is currently unknown, but the Authority anticipates increased funding based on the State's loss of public housing units and material decreases in energy costs.
- The Authority will continue to realize revenue escalations in our lease agreements including laundry facilities and emergency shelter units.
- The Authority entered into a two-year supply contract for natural gas and electricity, expiring December, 2018.
- Interest rates and cash has increased in the past year, providing a material increases in investment income.
- The Authority has realized credit revenue related to our Solar Power Purchasing Agreements and have budgeted net metering revenue in fiscal year 2018. We anticipate net metering revenue of approximately \$750,000 in our federal portfolio and \$50,000 in our state portfolio.
- The Authority is experiencing increasing costs related to aging components including fire prevention, plumbing and heating and elevators.
- There is an ongoing re-branding initiative and the Authority is expanding its digital footprint. Communications and IT budget has been expanded and there are ongoing projects to improve our visibility, community recognition and sense of community and pride within our developments.
- Keyless entry systems and security cameras are beginning to fail. The Authority has budgeted for solutions to both in our operating and capital budgets.

LOWELL HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2017

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE AUTHORITY

The following events will impact the Authority in some form going forward.

- The Authority is developing solicitations to lease common area space for vending and rooftop space for communications devices. We expect these contracts to have a material impact on Other Revenue.
- Energy rates have continued to decrease and the Authority has taken advantage of this trend by entering into three-year supply contracts for electricity and natural gas to take advantage of historically low rates. This will provide budget certainty and guard the Authority against future rate increases.
- HUD Operating Fund Subsidy and Housing Choice Voucher HAP and Administrative Fee Subsidy began seeing slight increases in recent years, however; we are beginning to see a proration reduction in HCV admin fees and HUD Operating Fund prorations for CY2018 are currently unknown.
- The Authority will continue to take advantage of staff attrition through consolidation of duties, streamlined processes, and maximizing use of technology when possible. The Authority has added analytical positions that will focus on revenue and grant growth coupled with a reduction in operating costs. The Authority is expecting a material increase in the number of new retirees over the next two to five years.
- The Authority is facing aging infrastructure agency wide, mainly in plumbing & heating components, elevators, building envelopes and hardscapes.
- The Authority is submitting a demolition / disposition application with HUD to dispose of 20+ scattered site buildings in our AMP 2 portfolio. A portion of sales proceeds will be used to revitalize the Merrimack Street Corridor.
- The Authority has not achieved its Faircloth limit and has the ability to add fourteen units to our HUD Annual Contributions Contract. The Authority has identified viable units that could be repositioned from our State portfolio to federal. We will be engaging DHCD and HUD for discussion and approval.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be made in writing to the Chief Financial Officer of Lowell Housing Authority, Adam Garvey, via email at agarvey@lhma.org or hard copy to 350 Moody Street, Lowell, MA 01852.

LOWELL HOUSING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017**

**STATEMENTS OF NET POSITION
September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Current Assets	\$ 10,721,694	\$ 8,197,620	\$ 2,524,074	30.79%
Capital Assets	35,818,852	37,949,342	(2,130,490)	-5.61%
Other Noncurrent Assets	<u>657,454</u>	<u>604,530</u>	<u>52,924</u>	8.75%
 Total Assets	 <u>47,198,000</u>	 <u>46,751,492</u>	 <u>446,508</u>	 0.96%
 Deferred Outflows of Resources	 <u>4,155,822</u>	 <u>4,584,284</u>	 <u>(428,462)</u>	 -9.35%
Current Liabilities	2,978,556	2,299,350	679,206	29.54%
Noncurrent Liabilities	<u>26,706,565</u>	<u>26,165,692</u>	<u>540,873</u>	2.07%
 Total Liabilities	 <u>29,685,121</u>	 <u>28,465,042</u>	 <u>1,220,079</u>	 4.29%
 Deferred Inflows of Resources	 <u>716,810</u>	 <u>784,596</u>	 <u>(67,786)</u>	 -8.64%
Net Invested in Capital Assets	33,107,197	34,282,504	(1,175,307)	-3.43%
Restricted	143,857	82,663	61,194	74.03%
Unrestricted (Deficit)	<u>(12,299,163)</u>	<u>(12,279,029)</u>	<u>(20,134)</u>	0.16%
 Total Net Position	 <u>\$ 20,951,891</u>	 <u>\$ 22,086,138</u>	 <u>\$ (1,134,247)</u>	 -5.14%

Narrative of Material Changes on the Statement of Net Position

- Current Assets: The increase in current assets is mainly seen in cash. The increase is a hybrid result of a net increase in operating activities and cash on hand restricted for current liabilities.
- Other Non-Current Assets: The decrease in other non-current assets is attributable to a reclassification of notes receivable from “non-current” to “current”. This note is payable on demand.
- Current Liabilities: The increase in current liabilities is attributable to an over-advance of subsidy from DHCD. It does not appear that DHCD reviews quarterly subsidy earned or operating statements to advance appropriate amounts.
- Restricted Net Position: The increase in restricted net position is attributable to excess housing assistance payments in the Housing Choice Voucher program.

LOWELL HOUSING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Revenue				
Operating Revenues	\$ 33,150,247	\$ 31,595,187	\$ 1,555,060	4.92%
Non-operating Revenues	<u>1,910,528</u>	<u>3,207,252</u>	<u>(1,296,724)</u>	-40.43%
Total Revenues	<u>35,060,775</u>	<u>34,802,439</u>	<u>258,336</u>	0.74%
Expenses				
Housing assistance payments	13,484,154	13,107,806	376,348	2.87%
Administration	5,485,889	5,617,475	(131,586)	-2.34%
Repair and maintenance	7,564,177	6,578,999	985,178	14.97%
Depreciation expense	4,002,054	4,023,660	(21,606)	-0.54%
Utilities	4,076,580	4,326,971	(250,391)	-5.79%
Tenant services	89,987	72,178	17,809	24.67%
Insurance expense	508,469	576,637	(68,168)	-11.82%
Other general expenses	797,997	669,503	128,494	19.19%
Protective services	45,471	40,008	5,463	13.65%
Interest expense	<u>140,244</u>	<u>167,862</u>	<u>(27,618)</u>	-16.45%
Total Expenses	<u>36,195,022</u>	<u>35,181,099</u>	<u>1,013,923</u>	2.88%
Change in Net Position	(1,134,247)	(378,660)	(755,587)	199.54%
Net Position - Beginning of Year	<u>22,086,138</u>	<u>23,195,776</u>	<u>(1,109,638)</u>	-4.78%
Prior Period Adjustments	<u>-</u>	<u>(730,978)</u>	<u>730,978</u>	-100.00%
Net Position - End of Year	<u>\$ 20,951,891</u>	<u>\$ 22,086,138</u>	<u>\$ (1,134,247)</u>	-5.14%

Narrative of Material Changes on the Statement of Revenues, Expenses, and Change in Fund Net Position

- Operating Revenue: The increase in operating revenue is attributable to increases in resident rent, interest income, rent escalation clauses in lease agreements and increases in earned operating subsidy in the low-rent and housing choice programs.
- Non-Operating Revenues: The decrease in non-operating revenue is related to HUD capital grants. The Authority expended funds from three years of HUD capital funds in fiscal year 2016 while in 2017, the Authority was expending funds from two. The use of the "Operations" line item was maximized in 2017, shifting an additional \$200,000 from capital to operating revenue.
- Utilities: The decrease in utility expenditure is related to decreased supply rates in electricity and natural gas.
- Repair and Maintenance: The increase in materials and contracts is attributable to large scale repairs to heating and plumbing components and fire prevention systems. The Authority is also dealing with aging elevators and chronic infestation issues. There were also long-term health related leaves of absences in key maintenance positions that required dual coverage and overtime.

BASIC FINANCIAL STATEMENTS

LOWELL HOUSING AUTHORITY

STATEMENT OF NET POSITION
September 30, 2017

ASSETS

Current Assets:

Cash and cash equivalents - Note 4	\$ 9,933,412
Restricted cash and cash equivalents - Notes 4 & 5	193,952
Accounts receivable, net - Note 6	509,240
Prepaid expenses and other current assets	85,090
Total Current Assets	<u>10,721,694</u>

Noncurrent Assets:

Restricted cash and cash equivalents - Notes 4 & 5	269,188
Notes receivable, net - Note 7	388,266
Capital assets, net of accumulated depreciation - Note 8	35,818,852
Total Noncurrent Assets	<u>36,476,306</u>

Total Assets 47,198,000

DEFERRED OUTFLOWS OF RESOURCES - Note 12 4,155,822

LIABILITIES

Current Liabilities:

Current portion of long term debt - Note 10	844,203
Accounts payable	278,910
Accounts payable, HUD	47,989
Accounts payable, other government	1,074,361
Accrued wages and current portion of compensated absences	201,595
Other current liabilities	75,095
Other accrued expenses	320,035
Unearned revenue	136,368
Total Current Liabilities	<u>2,978,556</u>

Noncurrent Liabilities:

Long term debt, net of current portion - Note 10	1,867,452
Accrued compensated absences, net of current portion - Note 9	107,862
Other noncurrent liabilities - Note 9	269,188
Accrued pension - Notes 9 & 12	17,555,666
OPEB liability - Notes 9 & 13	6,906,397
Total Noncurrent Liabilities	<u>26,706,565</u>

Total Liabilities 29,685,121

DEFERRED INFLOWS OF RESOURCES - Note 12 716,810

NET POSITION

Net investment in capital assets	33,107,197
Restricted:	
HAP	143,857
Unrestricted (deficit)	<u>(12,299,163)</u>

Total Net Position \$ 20,951,891

LOWELL HOUSING AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended September 30, 2017**

OPERATING REVENUES	
HUD grants and contributions	\$ 21,793,003
Tenant rental income	8,609,011
Other government grants and contributions	2,182,470
Other revenue	565,763
Total Operating Revenues	<u>33,150,247</u>
OPERATING EXPENSES	
Housing assistance payments	13,484,154
Repair and maintenance	7,564,177
Administration	5,485,889
Utilities	4,076,580
Depreciation expense	4,002,054
Other general expenses	797,997
Insurance expense	508,469
Tenant services	89,987
Protective services	45,471
Total Operating Expenses	<u>36,054,778</u>
Operating Loss	<u>(2,904,531)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	69,061
Loss on sale of capital assets	(22,868)
Interest expense	(140,244)
Total Nonoperating Revenues (Expenses)	<u>(94,051)</u>
Loss before Capital Contributions and Transfers	<u>(2,998,582)</u>
CAPITAL CONTRIBUTIONS & TRANSFERS	
HUD capital grants and contributions	1,186,186
Other government capital grants and contributions	678,149
Total Capital Contributions and Transfers	<u>1,864,335</u>
Change in Net Position	(1,134,247)
Net Position - Beginning of Year	<u>22,086,138</u>
Net Position - End of Year	<u>\$ 20,951,891</u>

LOWELL HOUSING AUTHORITY

**STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	
HUD grants	\$ 21,997,658
Other government grants	2,967,054
Receipts from tenants	8,685,785
Other operating receipts	570,050
Payments to employees	(8,255,916)
Payments to suppliers	<u>(21,849,884)</u>
Net cash provided by operating activities	<u>4,114,747</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Other government capital grants	746,514
HUD capital grants	1,132,834
Interest expense	(140,244)
Payments on long term debt	(955,183)
Acquisitions of capital assets	<u>(1,894,431)</u>
Net cash used in capital and related financing activities	<u>(1,110,510)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	69,118
Proceeds from the collection on notes receivable	<u>3,567</u>
Net cash provided by investing activities	<u>72,685</u>
Net increase in cash and cash equivalents	3,076,922
Cash and cash equivalents at beginning of year	<u>7,319,630</u>
Cash and cash equivalents at end of year	<u><u>\$ 10,396,552</u></u>
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating Loss	\$ (2,868,807)
Adjustments:	
Depreciation	3,966,330
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, tenants	86,376
(Increase) decrease in accounts receivable, other	45,874
(Increase) decrease in accounts receivable, HUD	190,238
(Increase) decrease in accounts receivable, other government	152,404
(Increase) decrease in prepaid expenses and other current assets	37,595
(Decrease) increase in accounts payable	195,016
(Decrease) increase in accounts payable, HUD	14,417
(Decrease) increase in accounts payable, other government	670,568
(Decrease) increase in compensated absences and accrued wages	15,199
(Decrease) increase in accrued pension liability	979,839
(Decrease) increase in OPEB liability	823,047
(Decrease) increase in accrued expenses and other current liabilities	(203,018)
(Decrease) increase in unearned operating revenue	<u>9,669</u>
Net cash provided by operating activities	<u><u>\$ 4,114,747</u></u>

LOWELL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 – ORGANIZATION

The Lowell Housing Authority (the Authority) was incorporated under the laws of the Commonwealth of Massachusetts. The Authority operates under a board of commissioner form of government to provide safe and decent housing to low and moderate income families and elderly individuals.

The Authority maintains its accounting records by program and operates the following programs:

Low Rent Public Housing – (Asset Management Projects (AMPS)) – This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Authority receives grants from HUD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income.

Public Housing Capital Fund – HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the Low Rent Public Housing Program. A portion of these funds may also be used to support operations and to make improvements in the management and operation of the Authority.

Section 8 Housing Choice Voucher and the Family Self Sufficiency Program (FSS) – HUD provides grants to the Authority to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program, qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority will subsidize the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard.

FSS helps eligible individuals acquire the skills and experience needed to obtain work that pays a living wage, and also offers them an opportunity to save towards home-ownership. The Authority works with welfare agencies, schools, businesses, and other local partners to help FSS participants access services including but not limited to; child care, transportation, education and training, and home-ownership counseling.

Resident Opportunities and Self Sufficiency (ROSS) – ROSS links public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient. Grants are received from HUD pursuant to a detailed application submitted by the Authority.

Central Office Cost Center (COCC) – This program tracks common overhead expenses incurred by the Authority. To offset these common expenses, the COCC receives monthly a property management, bookkeeping and asset management fee from the AMPs. Additionally the COCC receives from the Section 8 Housing Choice Voucher Program a monthly property management and bookkeeping fee. The State Housing Programs of the Authority are excluded from this method of cost allocation; therefore, overhead *expenses* are allocated directly to these programs.

LOWELL HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE 1 – ORGANIZATION – (Continued)

State and Local Programs – The Authority operates the following state and local programs:

State Consolidated and State Chapter 705 Housing – Under these programs, the Authority owns, operates and maintains rental housing acquired with grants from Massachusetts Department of Housing & Community Development (DHCD). Dwelling units are leased to low income tenants at rates based on their ability to pay. Operations are supported by DHCD via operating grants.

State Chapter 689 Housing – Under this program, the Authority owns operates and maintains rental housing acquired with grants from DHCD. The building is generally rented to a non-profit corporation who provides health and human resource needs to mentally disabled individuals.

Massachusetts Rental Voucher Program (MRVP) – DHCD provides grants to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority subsidizes the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a contract amount.

Authority-owned Section 8 New Construction Program – DHCD provides a direct mortgage to the Authority as owners of a residential rental building. As a condition of the mortgage, the Authority has entered into a long-term contract to rent the dwelling units to low income individuals or families and receives project-based Section 8 rental assistance from DHCD through a contract between DHCD and HUD. Under the contract, the Authority receives a subsidy equal to the difference between an approved contract rent and the tenant's share of the rent determined under HUD Section 8 regulations.

State Modernization Program – DHCD provides grant funds to authorities with State Consolidated units based on the Authority's application and determination of need. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the State Consolidated Housing Program

LOWELL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Authority's financial statements include the accounts of all of the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

B. Basis of Presentation and Accounting

The Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund.

The Authority's financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("GASB 34") and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"). GASB 34 and GASB 63 require the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. GASB 34 requires the Authority to include Management's Discussion and Analysis as part of the Required Supplementary Information. GASB 63 requires the Authority to report deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The Authority's primary source of nonexchange revenue relates to grants and subsidies. Grants and subsidies revenue is recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Grants received in advance of expenditures are recorded as a liability until earned.

LOWELL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Basis of Presentation and Accounting – (Continued)

New Accounting Standard Adopted

During 2017, the Authority adopted the following accounting standards:

GASB 72, *Fair Value Measurement and Application*. GASB 72 provides guidance on determining fair value measurement and the applicable disclosure requirements. This statement requires disclosures to be made about fair value measurement, the level of fair value hierarchy and valuation techniques. GASB 72 also requires donated capital assets to be measured at acquisition value.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, improves financial reporting and comparability of financial statement information among governments by providing clear guidance on how to apply financial reporting guidance. There was no impact to the Authority's financial statements as a result of implementing this statement.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. There was no impact to the Authority's financial statements as a result of implementing this statement.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, is effective for financial statements for periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There was no impact to the Authority's financial statements as a result of implementing this statement.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

New Accounting Standards to be Adopted in Future Years

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. The provisions of this Statement are effective for periods beginning after June 15, 2017.

GASB Statement No. 82, *Pension Issues*, will address certain issues that have been raised regarding GASB Statements No. 67, No. 68, and No. 73. The requirements of this statement are effective for periods beginning after June 15, 2017.

The Authority's management is currently evaluating these new standards to determine what impact they will have on the Authority.

LOWELL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates that affect reported amounts of assets, liabilities, revenues and expenses and related disclosures. Actual amounts could differ from those estimates.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with financial institutions and other debt securities that are readily convertible into cash and purchased with original maturities of three months or less. Also included in cash equivalents are non-negotiable certificates of deposits, recorded at cost in accordance with GASB 31.

E. Accounts Receivable

Accounts receivable from tenants are carried at the original amount billed less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by using historical experience applied to an aging of accounts receivable. Accounts receivable from tenants are written off with board approval when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Allowances for other non-tenant receivables are reviewed annually. See Note 6 for details of accounts receivable and allowances at year end.

F. Capital Assets

Capital assets include property, furniture, equipment and machinery with initial, individual costs that equal or exceed \$2,000 and estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Land and Building Improvements	15-20 years
Furniture, Equipment and Machinery	5 years

LOWELL HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. Compensated Absences

The Authority's policy allows employees to accumulate up to 250 days of sick leave. Sick leave may only be used in the event of illness. Any employee who has attained 55 years of age and 20 years of services may collect 33.33% of their accumulated sick leave if they leave the employ of the Authority and officially retire with the City retirement board. Vacation and personal leave accrues from 2 weeks to 5 weeks per year based on years of service. Earned vacation leave may not be accumulated by any employee beyond 6 weeks. Total accrued compensated absences at September 30, 2017 aggregated \$121,860.

H. Operating Revenues and Expenses

GASB 34 paragraph 102 requires governments to establish a policy that defines operating revenues and expenses. The Authority uses the criteria prescribed in GASB 9 paragraphs 17 and 18 for cash flows to determine operating revenues and expenses. Operating revenue includes operating grants and subsidies, rental income, management services provided and all other revenue relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities. Operating expenses include wages, housing assistance payments, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement system and additions to/deductions from the system's fiduciary net position have been determined on the same basis as they are reported by the retirement system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 3 – NET POSITION: RESTRICTED

At September 30, 2017, restrictions of \$143,857, represent the net position restricted by HUD related to the Housing Choice Voucher Program to be used for future HAP payments.

LOWELL HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE 4 – CASH AND INVESTMENT DEPOSITS

GASB standards require that cash and investment deposits with financial institutions be classified into one of the following four categories:

Category A – Insured

Category B – Collateralized, with securities held by the entity or by its agent in the entity’s name.

Category C – Collateralized, with securities held by the pledging financial institution’s trust department or agent in the entity’s name.

Category D – Non-collateralized (Includes any bank balance collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity’s name.)

The Authority has adopted HUD’s Investment Regulation PIH 1996-33 as its investment policy. HUD regulations require that all HUD deposits in financial institutions and investments be fully insured or collateralized, (category A, B or C) by U.S. Government obligations that have a market value of not less than the principal amount of the deposits. The policy also requires that investments not have a maturity period longer than three years.

Custodial Credit Risk – Cash Deposits

In the case of cash deposits, this is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk, except ensuring that it follows the HUD regulations for federal deposits as detailed in a prior paragraph. At September 30, 2017, the Authority’s cash deposits of \$10,396,552 were fully insured or collateralized.

The Authority notes that in accordance with GASB 40, the disclosures for all types of cash deposits with a financial institution, whether categorized as cash and cash equivalents or as investments are the same and have been reported and disclosed accordingly in the previous section of the note.

NOTE 5 – RESTRICTIONS ON CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority’s restricted cash and cash equivalents balance consists of funds restricted for future housing assistance payments, funds held in escrow for participants in the Family Self Sufficiency Program and funds held in escrow in agreement with a vendor as a performance deposit. At September 30, 2017, restricted cash was categorized as follows:

<u>Category of Restriction</u>	<u>Amount</u>
HAP Reserves	\$ 143,857
Performance Deposit	50,095
FSS Escrow	<u>269,188</u>
Total	<u>\$ 463,140</u>

LOWELL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 6 – ACCOUNTS RECEIVABLE

The following is a detail listing of receivables for the Authority including the applicable allowances for uncollectible accounts at September 30, 2017.

<u>Category of Receivable</u>	<u>Amount</u>
HUD	\$ 83,045
Other Government	136,888
PHA Projects	16,450
Miscellaneous	28,053
Tenants	<u>360,322</u>
Gross Receivables	624,758
Allowance - Tenants	<u>(115,518)</u>
Net Receivables	<u>\$ 509,240</u>

NOTE 7 – NOTES RECEIVABLE

In March 2009, the Authority loaned \$1,200,000 to Residents First Development Corporation (the Corporation), an independent third party, for the purpose of developing replacement housing for Authority units demolished in years prior. The note is collectible over a period of seven years in annual installments of \$200,000 including an implicit interest rate of 4.01%. At September 30, 2017, outstanding principal on the loan was \$77,913 and accrued interest was \$17,087. For the year ended September 30, 2017, the Authority earned interest of \$3,943.

The Authority also has several non-interest bearing demand loans with the Corporation that aggregated \$293,266 at September 30, 2017, net of an allowance of \$98,000.

LOWELL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 8 – CAPITAL ASSETS

The following is a summary of changes in capital assets and related accumulated depreciation.

	<u>9/30/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>9/30/2017</u>
Capital assets not being depreciated				
Land	\$ 5,415,841	\$ -	\$ (6,820)	\$ 5,409,021
Construction in Progress	<u>2,846,199</u>	<u>1,864,337</u>	<u>(400,037)</u>	<u>4,310,499</u>
Total capital assets not being depreciated	<u>8,262,040</u>	<u>1,864,337</u>	<u>(406,857)</u>	<u>9,719,520</u>
Other Capital Assets				
Buildings	112,175,757	400,037	(312,691)	112,263,103
Furniture, equipment & machinery	<u>669,459</u>	<u>30,094</u>	<u>-</u>	<u>699,553</u>
Total other capital assets	<u>112,845,216</u>	<u>430,131</u>	<u>(312,691)</u>	<u>112,962,656</u>
Less accumulated depreciation				
Buildings	82,544,892	3,980,386	(296,642)	86,228,636
Furniture, equipment & machinery	<u>613,020</u>	<u>21,668</u>	<u>-</u>	<u>634,688</u>
Total accumulated depreciation	<u>83,157,912</u>	<u>4,002,054</u>	<u>(296,642)</u>	<u>86,863,324</u>
Capital Assets Net	<u>\$ 37,949,344</u>	<u>\$ (1,707,586)</u>	<u>\$ (422,906)</u>	<u>\$ 35,818,852</u>
Depreciation expense was charged to:				
Low Rent		<u>\$ 3,684,872</u>		
State/Local		<u>\$ 309,114</u>		
COCC		<u>\$ 8,068</u>		

NOTE 9 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended September 30, 2017 is as follows:

	<u>9/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amount due within one year</u>	<u>9/30/2017</u>
Compensated Absences	\$ 119,986	\$ 408,035	\$ (406,161)	\$ (13,998)	\$ 107,862
FSS Escrow	263,263	43,022	(37,097)	-	269,188
Pension Accrual	16,936,503	619,163	-	-	17,555,666
OPEB Liability	<u>6,083,350</u>	<u>1,341,215</u>	<u>(518,168)</u>	<u>-</u>	<u>6,906,397</u>
Total	<u>\$ 23,403,102</u>	<u>\$ 2,411,435</u>	<u>\$ (961,426)</u>	<u>\$ (13,998)</u>	<u>\$ 24,839,113</u>

LOWELL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 10 – LONG TERM DEBT

Long term debt activity for the year ended September 30, 2017 is as follows:

	<u>9/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amount due within one year</u>	<u>9/30/2017</u>
Notes Payable	\$ 233,998	\$ -	\$ (79,047)	\$ (72,595)	\$ 82,355
Capital Lease	<u>3,432,840</u>	<u>-</u>	<u>(876,135)</u>	<u>(771,608)</u>	<u>1,785,097</u>
Total	<u>\$ 3,666,838</u>	<u>\$ -</u>	<u>\$ (955,182)</u>	<u>\$ (844,203)</u>	<u>\$ 1,867,452</u>

Notes Payable

In 1979, Authority borrowed \$1,460,000 from the Commonwealth of Massachusetts. The note is being repaid in equal monthly installments of principal and interest of \$6,500 over a period of forty years and is collateralized by a State housing development. Interest accrues at a rate of 4.44% per annum. For the year ended September 30, 2017, the Authority incurred interest expense of \$8,546. The total principal balance outstanding at September 30, 2017 was \$154,950.

The debt will be amortized as follows:

<u>Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>
2018	\$ 72,595	\$ 5,401
2019	72,595	2,119
2020	<u>9,760</u>	<u>24</u>
Total	<u>\$ 154,950</u>	<u>\$ 7,544</u>

Capital Lease

The Authority leases certain equipment under an agreement that is classified as a capital lease. The Authority has pledged future revenues as collateral and the lessor retains a security interest in the equipment being leased. Interest in all of the equipment subject to the lease will be conveyed to the Authority upon full payment of the lease. The Authority may not sublease the equipment. The lease is being paid in semiannual installments of principal and interest, as defined in the schedule of rental payments of the lease agreement, over a period of twelve years and at an effective interest rate of 6.26% per annum. The lease term expires in October of 2020. The cost of these assets under capital lease is included on the Statement of Net Position as a Capital Asset and was \$8,251,746 at September 30, 2017. Accumulated amortization of the leased assets at September 30, 2017 was \$4,400,931. Amortization of assets under capital leases is included in depreciation expense.

LOWELL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 10 – LONG TERM DEBT – (Continued)

Interest expense during September 30, 2017 was \$122,925. The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of September 30, 2017, are as follows:

<u>Year</u>	
2018	\$ 771,608
2019	874,685
2020	<u>910,412</u>
Total minimum lease payments	2,556,705
Less: Amount representing interest	<u>(156,692)</u>
Present value of net minimum lease payments	2,400,013
Less: Current maturities of capital lease obligations	<u>(771,608)</u>
Long-term capital lease obligations	<u>\$ 1,628,405</u>

NOTE 11 – REAL ESTATE TAXES

Property owned by the Authority is exempt from local real estate taxes. The Authority makes a payment in lieu of taxes equal to 10% of rental income charged less utility expenses annually for all of its properties constructed with and funded by HUD. State funded scattered site units make payments in lieu of real estate taxes equal to ½ of the Municipality's tax rate plus \$100 multiplied by the number of available bedrooms. State funded family properties make payments in lieu of real estate taxes equal to \$3 per unit per month. The payment in lieu of taxes for the year ended September 30, 2017 aggregated \$432,676.

LOWELL HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN

A. Plan Description and Membership

The Authority provides pension benefits to certain employees through the Lowell Retirement System (LRS), a cost-sharing, multiple-employer public employee retirement system regulated by Public Employee Retirement Administration Commission (PERAC). The plan is a defined benefit plan. Participation is mandatory for all full time employees of the Authority. The retirement plan is a pooled risk type of plan. Under this type of plan, funding is determined based on all employees covered for all employing units. The funding liabilities are shared by each employing unit pro-rata based on the number of employees in the employing unit. Since the Authority's share of pension liability is not based on their employees, pension expense is determined by the total required payment to be made to the retirement plan for the year. The LRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to LRS, 375 Merrimack Street, Lowell, MA 01852-5998 or by calling (978) 970-4094.

B. Significant Plan Provisions and Requirements

State law establishes benefit provisions and contribution requirements of the LRS. Employees who have at least 10 years of longevity and have attained 55 years of age are eligible to receive retirement benefits. Retired employees receive an allowance based upon the average of their three highest consecutive salary years of service multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer payout period. Employees may elect early retirement after 20 years of service or at any time after attaining age 55 with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. The amount of benefits to be received depends on several factors, including the member's age, compensation, veteran status, years of creditable service, and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

C. Funding Policy

Depending on their employment date, active Plan members must contribute either 5%, 7%, 8%, or 9% of their gross regular compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted before July 1, 1998, which are reimbursed by the Commonwealth. The current and two preceding years' apportionment of the annual pension cost between the employers required the Authority to contribute approximately 6.007% of the total. The Authority's required and actual contributions to LRS for the year ended September 30, 2017 were \$1,649,272. Employee contributions for the same period were \$482,224.

LOWELL HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN – (Continued)

D. Pension Liabilities, Pension Expense and Deferred Inflows and Outflows of Resources

At September 30, 2017, the Authority reported a liability of \$17,555,666 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the Authority's proportion was 6.007 percent.

E. Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended September 30, 2017, the Authority recognized pension expense of \$979,836. At September 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 231,457	\$ -
Changes of assumptions	1,264,734	-
Net difference between projected and actual earnings on pension plan investments	1,010,363	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	716,810
Contributions subsequent to the measurement date	<u>1,649,268</u>	<u>-</u>
Total	<u>\$ 4,155,822</u>	<u>\$ 716,810</u>

These amounts will be recognized as expense, or as a reduction of expense, as follows:

<u>Year</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2018	\$ 2,176,791
2019	527,523
2020	504,290
2021	218,890
Thereafter	<u>11,518</u>
Total	<u>\$ 3,439,012</u>

LOWELL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN – (Continued)

F. Actuarial Methods & Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2015
Actuarial cost method	Entry Age Normal Cost Method
Investment rate of return	7.75%
Discount rate	7.75%
Inflation	3.50%
Salary increases	4.25-7%
Cost of living adjustments	3.00% of the first \$17,000
Mortality rates	Based on the RP-2000 Combined Mortality Tables, with adjustments for improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Global equity	40.00%	7.97%
Fixed income	12.00%	3.85%
Value added fixed income	10.00%	7.02%
Private equity	11.00%	9.50%
Real estate	10.00%	6.50%
Timber/natural resources	4.00%	6.00%
Hedge funds	13.00%	6.48%

LOWELL HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 12 – COST-SHARING DEFINED BENEFIT PENSION PLAN – (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease	Current Discount	1% Increase
	<u>6.75%</u>	<u>7.75%</u>	<u>8.75%</u>
Net pension liability (asset)	\$ 21,753,671	\$ 17,555,666	\$ 14,000,768

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued LRS financial report.

J. Payables to the Pension Plan

As of September 30, 2017, the Authority had no outstanding payables to LRS.

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description

The Authority provides comprehensive medical insurance, both with and without Medicare coordination, and life insurance to its employees who meet certain eligibility requirements. Employees are eligible for postretirement benefits if he/she has reached the age of 55 as an active employee and completed 10 years of service.

All active employees who retire from the Authority and meet the eligibility criteria will receive these benefits. The duration of these benefits is for the employee’s lifetime. Under this cost sharing plan, these benefits cover 20% of premiums for Medical for those who retire on or after 10/1/2009 (15% for those who retired after 7/1/1994 but before 10/1/2009, and 10% for all others) for both individuals and family members (percentages represent the employees’ portion).

LOWELL HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS – (Continued)

A. Plan Description – (Continued)

The face value of each life insurance policy is \$5,000. Life insurance benefits do not apply to family members, this benefit covers 20% of premiums for Medical for those who retire on or after 10/1/2009 (15% for those who retired after 7/1/1994 but before 10/1/2009, and 10% for all others) for individuals.

Currently, there are 86 active employees and 57 retired employees enrolled in the plan.

B. Funding Policy

The Authority is not required by law or contractual agreement to provide funding for the Plan other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the year ended September 30, 2017, the Authority paid \$518,168 on behalf of the Plan.

C. Annual OPEB Cost and Net OPEB Obligation

The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by using the Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB Statement No. 45). Under this method, the normal cost and actuarial accrued liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit time the ratio of past service to total service. Under this method, the Actuarial Gains (losses) are calculated each year and amortized over the minimum and maximum periods allowed by law from the year of such gains or losses. All employees who are plan participants on a valuation date are included in the actuarial valuation. The following table shows the elements of the Authority's annual OPEB cost for the year, the amount actually paid on behalf of the plan, and changes in the Authority's net OPEB obligation to the Plan for the year ending September 30, 2017:

Annual Required Contribution (ARC)	\$ 1,482,754
Interest on Net OPEB obligation	238,195
Adjustment to ARC	<u>(379,734)</u>
Annual OPEB expense	1,341,215
Contributions made	<u>(518,168)</u>
Increase in net OPEB obligation	823,047
Net OPEB obligation - beginning of year	<u>6,083,350</u>
Net OPEB obligation - end of year	<u>\$ 6,906,397</u>

D. Funding Status and Funding Progress

As of October 1, 2014, the most recent actuarial valuation date, the Plan was 0.0% funded. The actuarial accrued liability for benefits was \$14.991 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$14.991 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$5.86 million, and the ratio of the UAAL to the covered payroll was 255.6%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts

LOWELL HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS – (Continued)

D. Funding Status and Funding Progress – (Continued)

determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information, presents the results of OPEB beginning October 1, 2008 and provides multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

<i>Valuation Date:</i>	October 1, 2014
<i>Discount Rate:</i>	4.0% per annum (assuming no prefunding)
<i>Mortality Rates:</i>	RP-2000 Combined Healthy Mortality Table
<i>Withdrawal Rates:</i>	Plan participants are expected to withdraw from the plan at a decreasing rate, based on years of service, from 15.0% at 1 year of service to 2% at 20 years of service.
<i>Retirement Rates:</i>	1.0% at age 50 to 100% by age 65
<i>General Inflation Assumption:</i>	3.0% per annum
<i>Amortization of UAAL:</i>	Amortized as level dollar amount over 30 years at transition.
<i>Remaining Amortization Period:</i>	24 years at October 1, 2014
<i>Health Care Cost Trend Rate:</i>	5.0 – 11.0% per year

NOTE 14 – OTHER RETIREMENT PLANS

The Authority provides to employees a separate deferred compensation plan in accordance with IRC §457. The plan is open to all employees. Employee contributions for 2017 were \$156,414. There were no employer contributions.

LOWELL HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 15 – RISK MANAGEMENT

Litigation

The Authority is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the risk management program are reviewed and losses are accrued as required in the judgment of management. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of lawsuits and claims will not have a material adverse effect on the financial position of the Authority.

Grants

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE 16 – IMPAIRMENT OF CAPITAL ASSETS

Government Accounting Standards Board's, Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" requires certain note disclosures regarding impairments of capital assets. The Authority did not recognize any impairments of capital assets in fiscal year 2017.

NOTE 17 – ECONOMIC DEPENDENCY

The Authority's state and federal programs are economically dependent on grants and annual contributions from DHCD and HUD, respectively. These programs operate at a loss prior to receiving these grants and contributions.

NOTE 18 – SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through June 1, 2018 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

LOWELL HOUSING AUTHORITY

**SCHEDULE OF FUNDING PROGRESS
For the Year Ended September 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
10/1/2008	\$ -	\$ 14,127,728	\$ 14,127,728	0.00%	\$ 5,316,000	265.8%
10/1/2009	\$ -	\$ 14,643,063	\$ 14,643,063	0.00%	\$ 5,476,000	267.4%
10/1/2010	\$ -	\$ 15,156,854	\$ 15,156,854	0.00%	\$ 5,640,000	268.7%
10/1/2011	\$ -	\$ 13,241,143	\$ 13,241,143	0.00%	\$ 5,569,000	237.8%
10/1/2012	\$ -	\$ 13,799,321	\$ 13,799,321	0.00%	\$ 5,736,000	240.6%
10/1/2013	\$ -	\$ 14,359,241	\$ 14,359,241	0.00%	\$ 5,908,000	243.0%
10/1/2014	\$ -	\$ 14,991,042	\$ 14,991,042	0.00%	\$ 5,864,000	255.6%
10/1/2015	\$ -	\$ 14,991,042	\$ 14,991,042	0.00%	\$ 5,600,000	267.7%
10/1/2016	\$ -	\$ 14,991,042	\$ 14,991,042	0.00%	\$ 5,355,000	279.9%

Schedule of Employer Contributions

Year Ended	Annual OPEB Expense	Actual Contributions Made	Percentage of Expense Contributed
2011	\$ 1,175,403	\$ 330,532	28.1%
2012	\$ 1,049,390	\$ 363,133	34.6%
2013	\$ 1,047,784	\$ 367,574	35.1%
2014	\$ 1,133,636	\$ 464,660	41.0%
2015	\$ 1,279,151	\$ 594,774	46.5%
2016	\$ 1,309,873	\$ 496,038	37.9%
2017	\$ 1,341,215	\$ 518,168	38.6%

LOWELL HOUSING AUTHORITY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Lowell Retirement System
For the Year Ended September 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	6.007%	6.055%	6.487%
Proportionate share of the net pension liability (asset)	\$ 17,555,665	\$ 16,936,503	\$ 14,210,374
Covered-employee payroll	\$ 5,207,159	\$ 5,031,072	\$ 5,225,651
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	337.1%	336.6%	271.9%
Plan fiduciary net position as a percentage of the total pension liability	N/A	52.640%	58.940%

* The amounts presented for each fiscal year were determined as of 12/31.

LOWELL HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS
Lowell Retirement System
For the Year Ended September 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,483,905	\$ 1,322,266	\$ 1,419,364
Contributions in relation to the contractually required contribution	<u>1,483,905</u>	<u>1,322,266</u>	<u>1,419,364</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,207,159	\$ 5,031,072	\$ 5,225,651
Contributions as a percentage of covered-employee payroll	28.50%	26.28%	27.16%

* The amounts presented for each fiscal year were determined as of 12/31.

LOWELL HOUSING AUTHORITY

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended September 30, 2017**

NOTE 1 – CHANGES OF BENEFIT TERMS

No changes of benefit terms.

NOTE 2 – CHANGES OF ASSUMPTIONS

No changes of assumptions.

SUPPLEMENTAL INFORMATION

LOWELL HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
September 30, 2017**

FDS Line Item	Description	AMP 01	AMP 02	AMP 03	AMP 04	Resident Opportunity and Supportive Services	Housing Choice Vouchers
111	Cash - Unrestricted	1,100,050	1,549,565	770,149	1,584,190	-	264,082
113	Cash - Other Restricted	-	-	64,511	160,872	-	237,757
100	Total Cash	1,100,050	1,549,565	834,660	1,745,062	-	501,839
121	Accounts Receivable - PHA Projects	-	-	-	-	-	16,450
122	Accounts Receivable - HUD Other Projects	-	-	-	79,100	3,945	-
124	Accounts Receivable - Other Government	-	-	-	-	-	86,795
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-
126	Accounts Receivable - Tenants	19,635	22,269	11,740	63,871	-	-
126.1	Allowance for Doubtful Accounts - Tenants	(15,996)	(15,261)	(3,715)	(25,119)	-	-
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	(48,000)
127	Notes, Loans, & Mortgages Receivable - Current	585	13,178	14,068	84,896	-	-
128	Fraud Recovery	2,420	13,316	34,495	6,780	-	51,036
128.1	Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	(51,036)
120	Total Receivables, Net of Allowances for Doubtful Accounts	6,644	33,502	56,588	209,528	3,945	55,245
142	Prepaid Expenses and Other Assets	3,568	3,796	3,498	5,198	-	2,573
143	Inventories	11,006	10,415	11,144	10,453	-	-
143.1	Allowance for Obsolete Inventories	(1,077)	(734)	(656)	(734)	-	-
144	Inter Program Due From	-	-	-	-	-	-
150	Total Current Assets	1,120,191	1,596,544	905,234	1,969,507	3,945	559,657
161	Land	1,350,495	933,048	1,378,894	867,043	-	-
162	Buildings	24,839,127	19,422,795	31,207,832	27,398,749	-	-
164	Furniture, Equipment & Machinery - Administration	89,321	91,097	131,897	143,427	-	6,972
166	Accumulated Depreciation	(20,541,538)	(14,968,372)	(22,475,635)	(20,666,279)	-	(6,972)
167	Construction in Progress	874,942	527,406	411,361	1,633,491	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	6,612,347	6,005,974	10,654,349	9,376,431	-	-
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	341,266
180	Total Non-Current Assets	6,612,347	6,005,974	10,654,349	9,376,431	-	341,266
200	Deferred Outflow of Resources	545,977	597,402	522,954	705,350	-	357,047
290	Total Assets and Deferred Outflow of Resources	8,278,515	8,199,920	12,082,537	12,051,288	3,945	1,257,970

See Independent Auditors' Report

LOWELL HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
September 30, 2017**

FDS Line Item	Description	AMP 01	AMP 02	AMP 03	AMP 04	Resident Opportunity and Supportive Services	Housing Choice Vouchers
312	Accounts Payable <= 90 Days	67,512	70,842	41,033	77,915	-	1,604
321	Accrued Wage/Payroll Taxes Payable	-	-	-	-	-	-
322	Accrued Compensated Absences - Current Portion	-	11,798	1,510	-	-	-
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	20,712
333	Accounts Payable - Other Government	106,772	99,826	86,136	120,185	-	-
342	Unearned Revenue	5,597	10,415	6,280	7,507	-	-
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	56,405	43,133	278,550	393,520	-	-
345	Other Current Liabilities	-	-	-	50,095	-	25,000
346	Accrued Liabilities - Other	-	-	-	-	-	-
347	Inter Program - Due To	-	-	-	79,100	3,945	-
310	Total Current Liabilities	236,286	236,014	413,509	728,322	3,945	47,316
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	130,491	99,786	644,420	910,399	-	-
353	Non-current Liabilities - Other	-	-	64,511	110,777	-	93,900
354	Accrued Compensated Absences - Non Current	9,440	18,176	10,287	14,906	-	13,061
357	Accrued Pension and OPEB Liabilities	3,118,560	3,392,591	3,177,656	4,192,247	-	2,243,044
350	Total Non-Current Liabilities	3,258,491	3,510,553	3,896,874	5,228,329	-	2,350,005
300	Total Liabilities	3,494,777	3,746,567	4,310,383	5,956,651	3,945	2,397,321
400	Deferred Inflow of Resources	95,204	107,013	89,735	126,275	-	60,655
508.4	Net Investment in Capital Assets	6,425,451	5,863,055	9,731,379	8,072,512	-	-
511.4	Restricted Net Position	-	-	-	-	-	143,857
512.4	Unrestricted Net Position	(1,736,917)	(1,516,715)	(2,048,960)	(2,104,150)	-	(1,343,863)
513	Total Equity - Net Assets / Position	4,688,534	4,346,340	7,682,419	5,968,362	-	(1,200,006)
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	8,278,515	8,199,920	12,082,537	12,051,288	3,945	1,257,970
70300	Net Tenant Rental Revenue	1,878,330	1,794,230	1,772,881	2,412,840	-	-
70400	Tenant Revenue - Other	10,070	7,030	32,190	9,940	-	-
70500	Total Tenant Revenue	1,888,400	1,801,260	1,805,071	2,422,780	-	-
70600	HUD PHA Operating Grants	1,359,196	1,778,441	1,556,701	3,602,340	46,551	12,532,202
70610	Capital Grants	564,187	60,772	27,723	533,504	-	-
70710	Management Fee	-	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-

See Independent Auditors' Report

LOWELL HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
September 30, 2017**

FDS Line Item	Description	AMP 01	AMP 02	AMP 03	AMP 04	Resident Opportunity and Supportive Services	Housing Choice Vouchers
70730	Book Keeping Fee	-	-	-	-	-	-
70740	Front Line Service Fee	-	-	-	-	-	-
70700	Total Fee Revenue	-	-	-	-	-	-
70800	Other Government Grants	-	-	-	-	-	86,995
71100	Investment Income - Unrestricted	8,836	15,372	-	8,040	-	11,836
71200	Mortgage Interest Income	-	-	-	-	-	-
71400	Fraud Recovery	-	19,727	15,811	1,725	-	2,147
71500	Other Revenue	146,949	119,436	18,700	50,038	-	555,044
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-
72000	Investment Income - Restricted	-	-	-	-	-	479
70000	Total Revenue	3,967,568	3,795,008	3,424,006	6,618,427	46,551	13,188,703
91100	Administrative Salaries	194,592	175,887	172,814	229,578	46,481	354,969
91200	Auditing Fees	2,764	2,628	1,851	3,233	-	7,226
91300	Management Fee	391,545	377,109	266,212	740,690	-	228,347
91310	Book-keeping Fee	39,668	38,205	26,970	47,010	-	100,619
91400	Advertising and Marketing	364	464	150	417	-	584
91500	Employee Benefit contributions - Administrative	169,493	164,755	151,751	212,066	-	376,513
91600	Office Expenses	52,392	48,147	70,232	71,792	-	136,627
91700	Legal Expense	13,670	19,555	26,402	31,542	-	47
91800	Travel	151	59	224	251	-	619
91000	Total Operating - Administrative	864,639	826,809	716,606	1,336,579	46,481	1,205,551
92000	Asset Management Fee	52,890	50,940	-	62,680	-	-
92100	Tenant Services - Salaries	1,498	9,048	1,444	1,536	-	-
92400	Tenant Services - Other	11,531	13,245	20,177	24,903	70	-
92500	Total Tenant Services	13,029	22,293	21,621	26,439	70	-
93100	Water	175,974	217,765	302,678	306,034	-	-
93200	Electricity	511,378	382,358	327,416	531,687	-	-
93300	Gas	133,330	202,879	313,613	383,208	-	-
93000	Total Utilities	820,682	803,002	943,707	1,220,929	-	-
94100	Ordinary Maintenance and Operations - Labor	475,592	527,140	485,644	685,342	-	-
94200	Ordinary Maintenance and Operations - Materials and Other	122,262	128,036	147,747	201,305	-	-
94300	Ordinary Maintenance and Operations Contracts	463,284	454,441	293,662	412,313	-	-

See Independent Auditors' Report

LOWELL HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
September 30, 2017**

FDS Line Item	Description	AMP 01	AMP 02	AMP 03	AMP 04	Resident Opportunity and Supportive Services	Housing Choice Vouchers
94500	Employee Benefit Contributions - Ordinary Maintenance	414,248	493,776	426,453	633,065	-	-
94000	Total Maintenance	1,475,386	1,603,393	1,353,506	1,932,025	-	-
95200	Protective Services - Other Contract Costs	9,454	14,453	6,329	11,058	-	-
95000	Total Protective Services	9,454	14,453	6,329	11,058	-	-
96110	Property Insurance	29,752	23,357	63,947	41,368	-	-
96120	Liability Insurance	17,470	16,609	13,154	36,992	-	6,273
96130	Workmen's Compensation	26,338	28,579	25,754	38,395	-	17,322
96140	All Other Insurance	3,036	3,741	6,087	5,834	-	-
96100	Total insurance Premiums	76,596	72,286	108,942	122,589	-	23,595
96200	Other General Expenses	-	-	14,090	29,538	-	109,631
96210	Compensated Absences	705	6,397	1,130	1,534	-	2,256
96300	Payments in Lieu of Taxes	106,772	99,826	86,136	120,185	-	-
96400	Bad debt - Tenant Rents	15,927	14,182	3,877	23,607	-	-
96600	Bad debt - Other	4,833	4,430	4,278	5,638	-	57,848
96000	Total Other General Expenses	128,237	124,835	109,511	180,502	-	169,735
96710	Interest of Mortgage (or Bonds) Payable	9,627	7,362	47,543	67,166	-	-
96700	Total Interest Expense and Amortization Cost	9,627	7,362	47,543	67,166	-	-
96900	Total Operating Expenses	3,450,540	3,525,373	3,307,765	4,959,967	46,551	1,398,881
97000	Excess of Operating Revenue over Operating Expenses	517,028	269,635	116,241	1,658,460	-	11,789,822
97100	Extraordinary Maintenance	52,267	9,922	92,118	67,381	-	-
97300	Housing Assistance Payments	-	-	-	-	-	11,347,868
97350	HAP Portability-In	-	-	-	-	-	496,960
97400	Depreciation Expense	728,083	500,466	1,110,529	1,345,794	-	-
90000	Total Expenses	4,230,890	4,035,761	4,510,412	6,373,142	46,551	13,243,709
10010	Operating Transfer In	174,933	38,335	388,335	188,335	-	-
10020	Operating transfer Out	-	-	-	(789,938)	-	-
10100	Total Other financing Sources (Uses)	174,933	38,335	388,335	(601,603)	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(88,389)	(202,418)	(698,071)	(356,318)	-	(55,006)

See Independent Auditors' Report

LOWELL HOUSING AUTHORITY

SUPPLEMENTAL FINANCIAL DATA SCHEDULE

September 30, 2017

FDS Line Item	Description	AMP 01	AMP 02	AMP 03	AMP 04	Resident Opportunity and Supportive Services	Housing Choice Vouchers
11020	Required Annual Debt Principal Payments	56,405	43,133	278,550	393,520	-	-
11030	Beginning Equity	4,776,923	4,548,758	8,380,490	6,324,680	-	(1,145,000)
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	-
11170	Administrative Fee Equity	-	-	-	-	-	(1,343,863)
11180	Housing Assistance Payments Equity	-	-	-	-	-	143,857
11190	Unit Months Available	5,376	5,112	3,600	6,288	-	14,052
11210	Number of Unit Months Leased	5,289	5,094	3,596	6,268	-	13,416
11270	Excess Cash	582,863	1,053,272	137,581	675,122	-	-
11620	Building Purchases	564,187	60,772	27,723	533,504	-	-

LOWELL HOUSING AUTHORITY

SUPPLEMENTAL FINANCIAL DATA SCHEDULE

September 30, 2017

FDS Line Item	Description	Mainstream Vouchers	PIH FSS under ROSS	State/Local	COCC	Eliminations	Total
111	Cash - Unrestricted	266,688	-	1,628,819	2,769,869	-	9,933,412
113	Cash - Other Restricted	-	-	-	-	-	463,140
100	Total Cash	266,688	-	1,628,819	2,769,869	-	10,396,552
121	Accounts Receivable - PHA Projects	-	-	-	-	-	16,450
122	Accounts Receivable - HUD Other Projects	-	-	-	-	-	83,045
124	Accounts Receivable - Other Government	-	-	50,093	-	-	136,888
125	Accounts Receivable - Miscellaneous	-	-	26,010	2,043	-	28,053
126	Accounts Receivable - Tenants	-	-	19,235	-	-	136,750
126.1	Allowance for Doubtful Accounts - Tenants	-	-	(4,391)	-	-	(64,482)
126.2	Allowance for Doubtful Accounts - Other	-	-	(50,000)	-	-	(98,000)
127	Notes, Loans, & Mortgages Receivable - Current	-	-	1,171	-	-	113,898
128	Fraud Recovery	-	-	1,627	-	-	109,674
128.1	Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	(51,036)
120	Total Receivables, Net of Allowances for Doubtful Accounts	-	-	43,745	2,043	-	411,240
142	Prepaid Expenses and Other Assets	-	-	4,830	12,756	-	36,219
143	Inventories	-	-	4,137	6,811	-	53,966
143.1	Allowance for Obsolete Inventories	-	-	(420)	(1,474)	-	(5,095)
144	Inter Program Due From	-	-	-	96,830	(96,830)	-
150	Total Current Assets	266,688	-	1,681,111	2,886,835	(96,830)	10,892,882
161	Land	-	-	879,541	-	-	5,409,021
162	Buildings	-	-	9,394,600	-	-	112,263,103
164	Furniture, Equipment & Machinery - Administration	-	-	71,218	165,621	-	699,553
166	Accumulated Depreciation	-	-	(8,070,341)	(134,187)	-	(86,863,324)
167	Construction in Progress	-	-	863,299	-	-	4,310,499
160	Total Capital Assets, Net of Accumulated Depreciation	-	-	3,138,317	31,434	-	35,818,852
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	145,000	-	-	486,266
180	Total Non-Current Assets	-	-	3,283,317	31,434	-	36,305,118
200	Deferred Outflow of Resources	-	-	294,655	1,132,437	-	4,155,822
290	Total Assets and Deferred Outflow of Resources	266,688	-	5,259,083	4,050,706	(96,830)	51,353,822

LOWELL HOUSING AUTHORITY

SUPPLEMENTAL FINANCIAL DATA SCHEDULE

September 30, 2017

FDS Line Item	Description	Mainstream Vouchers	PIH FSS under ROSS	State/Local	COCC	Eliminations	Total
312	Accounts Payable <= 90 Days	-	-	14,229	5,775	-	278,910
321	Accrued Wage/Payroll Taxes Payable	-	-	-	187,597	-	187,597
322	Accrued Compensated Absences - Current Portion	-	-	-	690	-	13,998
331	Accounts Payable - HUD PHA Programs	27,277	-	-	-	-	47,989
333	Accounts Payable - Other Government	-	-	661,442	-	-	1,074,361
342	Unearned Revenue	-	-	106,569	-	-	136,368
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	72,595	-	-	844,203
345	Other Current Liabilities	-	-	-	-	-	75,095
346	Accrued Liabilities - Other	-	-	-	320,035	-	320,035
347	Inter Program - Due To	-	-	13,785	-	(96,830)	-
310	Total Current Liabilities	27,277	-	868,620	514,097	(96,830)	2,978,556
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	82,356	-	-	1,867,452
353	Non-current Liabilities - Other	-	-	-	-	-	269,188
354	Accrued Compensated Absences - Non Current	-	-	8,519	33,473	-	107,862
357	Accrued Pension and OPEB Liabilities	-	-	1,704,387	6,633,578	-	24,462,063
350	Total Non-Current Liabilities	-	-	1,795,262	6,667,051	-	26,706,565
300	Total Liabilities	27,277	-	2,663,882	7,181,148	(96,830)	29,685,121
400	Deferred Inflow of Resources	-	-	55,010	182,918	-	716,810
508.4	Net Investment in Capital Assets	-	-	2,983,366	31,434	-	33,107,197
511.4	Restricted Net Position	-	-	-	-	-	143,857
512.4	Unrestricted Net Position	239,411	-	(443,175)	(3,344,794)	-	(12,299,163)
513	Total Equity - Net Assets / Position	239,411	-	2,540,191	(3,313,360)	-	20,951,891
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	266,688	-	5,259,083	4,050,706	(96,830)	51,353,822
70300	Net Tenant Rental Revenue	-	-	690,180	-	-	8,548,461
70400	Tenant Revenue - Other	-	-	1,320	-	-	60,550
70500	Total Tenant Revenue	-	-	691,500	-	-	8,609,011
70600	HUD PHA Operating Grants	822,700	94,872	-	-	-	21,793,003
70610	Capital Grants	-	-	-	-	-	1,186,186
70710	Management Fee	-	-	-	2,019,523	(2,019,523)	-
70720	Asset Management Fee	-	-	-	166,510	(166,510)	-

LOWELL HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
September 30, 2017**

FDS Line Item	Description	Mainstream Vouchers	PIH FSS under ROSS	State/Local	COCC	Eliminations	Total
70730	Book Keeping Fee	-	-	-	259,140	(259,140)	-
70740	Front Line Service Fee	-	-	-	572,807	(572,807)	-
70700	Total Fee Revenue	-	-	-	3,017,980	(3,017,980)	-
70800	Other Government Grants	-	-	2,773,624	-	-	2,860,619
71100	Investment Income - Unrestricted	2,488	-	12,060	357	-	58,989
71200	Mortgage Interest Income	-	-	9,593	-	-	9,593
71400	Fraud Recovery	-	-	2,177	-	-	41,587
71500	Other Revenue	-	-	128,654	2,315	-	1,021,136
71600	Gain or Loss on Sale of Capital Assets	-	-	(22,868)	-	-	(22,868)
72000	Investment Income - Restricted	-	-	-	-	-	479
70000	Total Revenue	825,188	94,872	3,594,740	3,020,652	(3,017,980)	35,557,735
91100	Administrative Salaries	22,331	70,475	153,833	1,079,843	-	2,500,803
91200	Auditing Fees	461	-	6,037	200	-	24,400
91300	Management Fee	15,620	-	-	-	(2,019,523)	-
91310	Book-keeping Fee	6,668	-	-	-	(259,140)	-
91400	Advertising and Marketing	37	-	111	3,129	-	5,256
91500	Employee Benefit contributions - Administrative	23,934	24,397	122,605	919,594	-	2,165,108
91600	Office Expenses	8,718	-	55,584	225,259	-	668,751
91700	Legal Expense	3	-	13,400	3,300	-	107,919
91800	Travel	40	-	9	12,299	-	13,652
91000	Total Operating - Administrative	77,812	94,872	351,579	2,243,624	(2,278,663)	5,485,889
92000	Asset Management Fee	-	-	-	-	(166,510)	-
92100	Tenant Services - Salaries	-	-	-	-	-	13,526
92400	Tenant Services - Other	-	-	6,535	-	-	76,461
92500	Total Tenant Services	-	-	6,535	-	-	89,987
93100	Water	-	-	71,687	-	-	1,074,138
93200	Electricity	-	-	160,919	-	-	1,913,758
93300	Gas	-	-	55,654	-	-	1,088,684
93000	Total Utilities	-	-	288,260	-	-	4,076,580
94100	Ordinary Maintenance and Operations - Labor	-	-	253,275	399,616	-	2,826,609
94200	Ordinary Maintenance and Operations - Materials and Other	-	-	73,284	23,414	-	696,048
94300	Ordinary Maintenance and Operations Contracts	-	-	153,642	33,554	(572,807)	1,238,089

LOWELL HOUSING AUTHORITY

SUPPLEMENTAL FINANCIAL DATA SCHEDULE

September 30, 2017

FDS Line Item	Description	Mainstream Vouchers	PIH FSS under ROSS	State/Local	COCC	Eliminations	Total
94500	Employee Benefit Contributions - Ordinary Maintenance	-	-	240,755	340,313	-	2,548,610
94000	Total Maintenance	-	-	720,956	796,897	(572,807)	7,309,356
95200	Protective Services - Other Contract Costs	-	-	4,177	-	-	45,471
95000	Total Protective Services	-	-	4,177	-	-	45,471
96110	Property Insurance	-	-	20,886	-	-	179,310
96120	Liability Insurance	401	-	-	-	-	90,899
96130	Workmen's Compensation	1,106	-	16,899	56,446	-	210,839
96140	All Other Insurance	-	-	1,994	6,729	-	27,421
96100	Total insurance Premiums	1,507	-	39,779	63,175	-	508,469
96200	Other General Expenses	-	-	-	-	-	153,259
96210	Compensated Absences	144	-	32	7,147	-	19,345
96300	Payments in Lieu of Taxes	-	-	19,757	-	-	432,676
96400	Bad debt - Tenant Rents	-	-	5,250	-	-	62,843
96600	Bad debt - Other	-	-	52,847	-	-	129,874
96000	Total Other General Expenses	144	-	77,886	7,147	-	797,997
96710	Interest of Mortgage (or Bonds) Payable	-	-	8,546	-	-	140,244
96700	Total Interest Expense and Amortization Cost	-	-	8,546	-	-	140,244
96900	Total Operating Expenses	79,463	94,872	1,497,718	3,110,843	(3,017,980)	18,453,993
97000	Excess of Operating Revenue over Operating Expenses	745,725	-	2,097,022	(90,191)	-	17,103,742
97100	Extraordinary Maintenance	-	-	33,133	-	-	254,821
97300	Housing Assistance Payments	744,138	-	1,392,148	-	-	13,484,154
97350	HAP Portability-In	-	-	-	-	-	496,960
97400	Depreciation Expense	-	-	309,114	8,068	-	4,002,054
90000	Total Expenses	823,601	94,872	3,232,113	3,118,911	(3,017,980)	36,691,982
10010	Operating Transfer In	-	-	-	-	(789,938)	-
10020	Operating transfer Out	-	-	-	-	789,938	-
10100	Total Other financing Sources (Uses)	-	-	-	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	1,587	-	362,627	(98,259)	-	(1,134,247)

See Independent Auditors' Report

LOWELL HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
September 30, 2017

FDS Line Item	Description	Mainstream Vouchers	PIH FSS under ROSS	State/Local	COCC	Eliminations	Total
11020	Required Annual Debt Principal Payments	-	-	72,595	-	-	844,203
11030	Beginning Equity	237,824	-	2,177,564	(3,215,101)	-	22,086,138
11170	Administrative Fee Equity	-	-	-	-	-	(1,343,863)
11180	Housing Assistance Payments Equity	-	-	-	-	-	143,857
11190	Unit Months Available	900	-	3,512	-	-	38,840
11210	Number of Unit Months Leased	889	-	3,392	-	-	37,944
11620	Building Purchases	-	-	-	-	-	1,186,186

LOWELL HOUSING AUTHORITY

**STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
September 30, 2017**

Project:	MA06P001501-14
Modernization Funds Approved	\$ 2,595,929
Modernization Funds Expended	<u>2,595,929</u>
Excess of Modernization Funds Approved	<u>\$ -</u>
Modernization Funds Advanced	\$ 2,595,929
Modernization Funds Expended	<u>2,595,929</u>
Excess of Modernization Funds Advanced	<u>\$ -</u>

Based on our review of the completed projects:

- 1) All work in connection with the projects is complete.
- 2) All liabilities have been incurred and discharged through payment.

LOWELL HOUSING AUTHORITY

**STATEMENT OF ACTUAL MODERNIZATION COSTS – UNCOMPLETED
September 30, 2017**

Project:	MA06P001501-15	MA01P001501-16
Modernization Funds Approved	\$ 2,676,032	\$ 2,766,696
Modernization Funds Expended	<u>1,994,135</u>	<u>925,927</u>
Excess of Modernization Funds Approved	<u>\$ 681,897</u>	<u>\$ 1,840,769</u>
Modernization Funds Advanced	\$ 1,982,048	\$ 858,914
Modernization Funds Expended	<u>1,994,135</u>	<u>925,927</u>
Excess of Modernization Funds Advanced	<u>\$ (12,087)</u>	<u>\$ (67,013)</u>

LOWELL HOUSING AUTHORITY

**STATEMENT AND CERTIFICATION OF ACTUAL GRANT COSTS
September 30, 2017**

Grant:	MA001RPS204A009	MA001RFS077A012	MA001FSH035A015
Grant Funds Approved	\$ 240,000	\$ 65,000	\$ 65,558
Grant Funds Expended	<u>240,000</u>	<u>65,000</u>	<u>65,558</u>
Excess of Grant Funds Approved	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Grant Funds Advanced	\$ 240,000	\$ 65,000	\$ 65,558
Grant Funds Expended	<u>240,000</u>	<u>65,000</u>	<u>65,558</u>
Excess of Grant Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Based on our review of the completed grant:

- 1) All work in connection with the grant is complete.
- 2) All liabilities have been incurred and discharged through payment.

LOWELL HOUSING AUTHORITY

STATEMENT OF ACTUAL GRANT COSTS - UNCOMPLETED
September 30, 2017

Grant:	MA001RPS106A014	MA001FSH256A016
Grant Funds Approved	\$ 204,000	\$ 65,558
Grant Funds Expended	<u>77,397</u>	<u>62,904</u>
Excess of Grant Funds Approved	<u>\$ 126,603</u>	<u>\$ 2,654</u>
Grant Funds Advanced	\$ 73,362	\$ 62,904
Grant Funds Expended	<u>77,397</u>	<u>62,904</u>
Excess of Grant Funds Advanced	<u>\$ (4,035)</u>	<u>\$ -</u>

LOWELL HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2017

	<u>CFDA Number</u>	<u>Direct Award</u>	<u>Pass-Through Agency</u>	<u>Pass-Through Award Number</u>	<u>Amounts Provided to Sub-recipients</u>	<u>Federal Financial Assistance Expenditures</u>
Department of Housing and Urban Development						
Low Rent Public Housing	14.850	Yes	N/A	N/A	\$ -	\$ 7,230,070
Resident Opportunity and Support Services	14.870	Yes	N/A	N/A	-	46,551
Public Housing Capital Fund Program	14.872	Yes	N/A	N/A	-	2,252,794
PIH FSS under ROSS	14.877	Yes	N/A	N/A	-	94,872
 Tenant-based Voucher Cluster:						
Mainstream Vouchers	14.879	Yes	N/A	N/A	-	822,700
Housing Choice Voucher Program	14.871	Yes	N/A	N/A	-	12,532,202
Total Tenant-based Voucher Cluster					<u>-</u>	<u>13,354,902</u>
 Project-based Voucher Cluster:						
N/C S/R Section 8 Programs	14.182	No	DHCD	N/A	-	303,568
Total Project-based Voucher Cluster					<u>-</u>	<u>303,568</u>
 Total Department of Housing and Urban Development					<u>-</u>	<u>23,282,757</u>
 Total All Programs					<u>\$ -</u>	<u>\$ 23,282,757</u>

LOWELL HOUSING AUTHORITY

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2017**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Lowell Housing Authority under programs of the federal government for the year ended September 30, 2017. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Lowell Housing Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Lowell Housing Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

For the year ended September 30, 2017, the Lowell Housing Authority did not elect to use the 10% de minimis indirect cost rate allowed in the Uniform Guidance, section 414.

NOTE 4 – OTHER ASSISTANCE

For the year ended September 30, 2017, the Lowell Housing Authority did not receive or expend federal awards in the form of non-cash assistance, insurance, or loans or loan guarantees, nor were there any loans or loan guarantees outstanding at year end.

**INDEPENDENT AUDITORS' 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**

To The Board of Commissioners
Lowell Housing Authority
Lowell, Massachusetts

We have audited, 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, the financial statements of the Lowell Housing Authority as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Lowell Housing Authority's basic financial statements, and have issued our report thereon dated June 1, 2018.

Internal Control over Financial Reporting

Management of the Lowell Housing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the Lowell Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lowell Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lowell Housing Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lowell Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying schedule of findings and questioned costs as item 2017-001.

Lowell Housing Authority's Response to Findings

The Lowell Housing Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Lowell Housing Authority's response was not subjected to the auditing procedure the financial statements and, accordingly, we express no opinion on it.

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 results 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.

A handwritten signature in cursive script that reads "Guyden Herby" followed by "PC" in a smaller font.

Braintree, Massachusetts
June 1, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To The Board of Commissioners
Lowell Housing Authority
Lowell, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Lowell Housing Authority's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Lowell Housing Authority's major federal programs for the year ended September 30, 2017. The Lowell Housing Authority'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 the Lowell Housing Authority'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 (CFR) 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 the Lowell Housing Authority'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 the Lowell Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lowell Housing Authority 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 September 30, 2017.

Report on Internal Control over Compliance

Management of the Lowell Housing Authority 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 the Lowell Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 the Lowell Housing Authority'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

A handwritten signature in cursive script that reads "Guyden Kirby" followed by the letters "PC" in a smaller font.

Braintree, Massachusetts
June 1, 2018

LOWELL HOUSING AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2017**

I. Summary of Audit Results

Financial Statements

1. Type of report issued on the financial statements - Qualified
2. The report on internal control over financial reporting did not disclose any material weaknesses.
3. The report on internal control over financial reporting did not disclose any significant deficiencies.
4. The report on compliance did disclose instances of non-compliance material to the financial statements.

Federal Programs

5. Type of report issued on compliance for major programs - Unmodified
6. The report on internal control over major programs did not disclose any material weaknesses.
7. The report on internal control over major programs did not disclose any significant deficiencies.
8. There are no audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a).
9. Major federal assistance programs are identified in the Schedule of Expenditures of Federal Awards. The dollar threshold to distinguish type A and type B programs was \$750,000.
10. The following programs were tested as major programs in accordance with OMB Uniform Guidance:

CFDA Number

Tenant-based Voucher Cluster	Various
Public Housing Capital Fund Program	14.872

11. The auditee qualified as a low-risk auditee.
12. The prior audit report did not disclose any findings or questioned costs.

LOWELL HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2017

II. Findings related to the Financial Statements which are required to be reported in accordance with GAGAS

Finding 2017-001 – Compliance – GASB 68: Accounting and Financial Reporting for Pensions

Criteria

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a single or agent employer that does not have a special funding situation is required to recognize a liability equal to the net pension liability. The net pension liability is required to be measured as of a date no earlier than the fiscal year (measurement date), consistently applied from period to period.

Condition and Context

Accounting principles generally accepted in the United States of America require that pension assets and liabilities be based on a valuation report conducted no earlier than thirty months and one day prior to the Authority's reporting date of September 30, 2017. The Authority is currently reporting these assets and liabilities based on a valuation date of January 1, 2015.

Effect or Potential Effect

The amount by which this departure could potentially affect the deferred inflows and outflows, liabilities, net position, and expenses of the Authority has not been determined. As a result, the financial statements may be materially misstated.

Cause

The Lowell Retirement System has not conducted a valuation that enables the Authority to be in compliance with Generally Accepted Accounting Principles (GAAP).

Recommendation

The Authority should communicate its financial reporting requirements and needs to the Lowell Retirement System. Specifically, these needs are as follows:

- In its most recent actuarial valuation report, for the years ended December 31, 2015 and 2016, the Lowell Retirement System used a valuation date of January 1, 2015. In the valuation report for the years ended December 31, 2017 and 2018, the Retirement System should use a valuation date of January 1, 2018. This would eliminate any timing issues and would ensure compliance for all employers participating in the Retirement System.

Auditee's Response and Planned Corrective Action

See Corrective Action Plan.

LOWELL HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2017

III. Findings and Questioned Costs for Federal Awards which shall include Audit Findings as defined in paragraph 200.516(a) - NONE

LOWELL HOUSING AUTHORITY

CORRECTIVE ACTION PLAN

September 30, 2017

Finding 2017-001 – Compliance – GASB 68: Accounting and Financial Reporting for Pensions

Auditee's Response and Planned Corrective Action

As members of the Lowell Retirement System, we are reliant on information provided by the City of Lowell Retirement Board to record our liability. The Board engaged KMS Actuaries, LLC to perform the actuarial report which was valued as of January 1, 2015. This valuation date presents an issue for the Lowell Housing Authority as the only September 30 year-end agency in the System. GASB 68 requires a valuation within 30 months and one day of an agency's year-end reporting period. This January 1, 2015 valuation provided 33 months of time lapse and a departure from GAAP for the Authority.

While this issue is out of the Authority's direct control, we have had conversations with KMS Actuaries and the City of Lowell Retirement Board to correct this issue going forward. Based on conversations with KMS Actuaries, the issue can be resolved by the Retirement Board changing their accounting methodology to value the fund at January 1, 2019.

Planned Implementation Date of Corrective Action: On-going

Person Responsible for Corrective Action: Adam Garvey, CFO – (978) 364-5309