GUYDER
HURLEY

READING HOUSING AUTHORITY
Reading, Massachusetts

FINANCIAL STATEMENTS

June 30, 2018

G//H

ASSURANCE // ACCOUNTING // TAX // ADVISORY

TABLE OF CONTENTS

Page

Independent Auditors' Report ... 4

Management's Discussion and Analysis ... 7

Basic Financial Statements

Statement of Net Position
June 30, 2018 ... 16

Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2018 ... 17

Statement of Cash Flows
For the Year Ended June 30, 2018 ... 18

Notes to Financial Statements
Note 1 – Organization ... 19
Note 2 – Summary of Significant Accounting Policies ... 20
Note 3 – Net Position: Restricted ... 24
Note 4 – Cash and Investment Deposits ... 24
Note 5 – Restrictions on Cash, Cash Equivalents and Investments ... 25
Note 6 – Accounts Receivable ... 25
Note 7 – Capital Assets ... 26
Note 8 – Noncurrent Liabilities ... 26
Note 9 – Long Term Debt ... 27
Note 10 – Real Estate Taxes ... 28
Note 11 – Cost-Sharing Defined Benefit Pension Plan ... 28
Note 12 – Post-Employment Benefits other than Pensions (OPEB) ... 32
Note 13 – Other Retirement Plans ... 35
Note 14 – Risk Management ... 36
Note 15 – Impairment of Capital Assets ... 36
Note 16 – Economic Dependency ... 36
Note 17 – Restatement of Beginning Net Position ... 36
Note 18 – Subsequent Events ... 37

Required Supplemental Information

Schedule of Changes in the Total OPEB Liability and Related Ratios ... 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

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018 ... 47

Notes to Schedule of Expenditures of Federal Awards ... 48

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 ... 49

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on
Internal Control over Compliance in Accordance with the Uniform Guidance ... 51

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018 ... 54

Corrective Action Plan ... 57

INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners
Reading Housing Authority
Reading, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Reading Housing Authority, Reading, MA, as of June 30, 2018, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Reading Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 Reading Housing Authority, as of June 30, 2018, 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).

Emphasis of Matter

As discussed in Notes 2 and 17 to the financial statements, the Authority adopted new accounting guidance, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* Our opinion is not modified with respect to this matter.

G//H 100 GRANDVIEW ROAD, SUITE 320, BRAINTREE, MA 02184
TEL 617.376.6226 // FAX 781.428.3083 // GUYDER-HURLEY.COM

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 Reading Housing Authority's basic financial statements. The supplemental information presented on pages 44 through 46, 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 46 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 46 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 February 14, 2019 on our consideration of the Reading 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Reading Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Reading Housing Authority's internal control over financial reporting and compliance.

Guyder Hurley PC

Braintree, Massachusetts
February 14, 2019

MANAGEMENT’S DISCUSSION & ANALYSIS

READING HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

As management of the Reading Housing Authority (the Authority), 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 June 30, 2018. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows if the Authority exceeded its liabilities and deferred inflows at the end of the fiscal year by $801,236. (net position).
- The restricted net Position of the Authority decreased to $538.
- The net position of the Authority consisted of Invested in Capital Assets in the amount of $1,062,567 and Unrestricted Net Position in the amount of $261,869 and Restricted of $538.
- The Authority's cash and investments at June 30, 2018 is $598,605, this represents a decrease of $19,236 from June 30, 2017.
- The Authority had intergovernmental grant revenues of $1,379,402, program revenues (charges for rent) of $731,361, interest income of $976 and other revenues of $69,058 and program expenses (exclusive of depreciation expense) of $2,079,685 for the year ended June 30, 2018.

OVERVIEW OF THE READING HOUSING AUTHORITY

The Reading Housing Authority was created in 1948 to provide and promote safe and sanitary housing for low-income persons residing in Reading, MA. The Authority is a municipal corporation located in Reading, MA and was established under Chapter 121B of the State Statutes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Reading Housing Authority's financial statements consist of two parts – 1) management discussion analysis which is intended to serve as an introduction to the Authority's basic financial statements, and 2) the Authority's basic financial statements which are comprised of two components: 1) government-wide financial statements and 2) notes to the financial statements. This report also contains the schedule of expenditures of federal awards as supplementary information in addition to the basic financial statements themselves.

The Authority is considered by accounting principles generally accepted in the United States of America (GAAP) to be a special purpose government, accounted for as enterprise funds. Its chartered purpose is the housing of low and moderate income families and elderly individuals. All the activities, programs and grants administered by the Authority are focused for that purpose.

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances. 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" (for accounting purposes, the term current assets is used to designate cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business), and "Non-current."

- Net Position (formerly equity) represents the cumulative effect of revenue and expenses. It is also the difference between assets and liabilities. Net position is reported in three broad categories:

  Unrestricted Net Position is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority.

  Net Assets, Invested in Capital Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

  Restricted Net Position consists of restricted assets, when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Statement of Revenue, Expenses and Changes in Fund Net Assets

- This statement is similar to an Income Statement. This Statement includes operating revenues, such as rental income, and operating expenses, such as administrative, utilities, maintenance, and depreciation. It also includes non-operating revenue and expenses, such as grant revenue, investment income and interest expense and capital contributions and operating transfers.

- The focus of this Statement of Revenues, Expenses and Changes in Fund Net Position is the "Change in Net Position," which is similar to Net Income or Loss.

Statement of Cash Flows

The statement of cash flows shows the sources and amounts from which the Authority received cash such as income from tenants, income from grants, loans, etc. and the items and amounts for which cash was used as payments to vendors and contractors, payments to employees, repayment of loans, etc. The statement is divided into four major sections: operating activities, non-capital financing activities, capital and related financing activities and investing activities. The statement functions down to the net increase or decrease in the Authority's cash accounts for the reporting period.

Authority Funds

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Business Type Funds – The Authority maintains a business type fund also called enterprise fund. The programs supporting this fund are as follows:

Section 8 Housing Choice Voucher Program – 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 land the tenants share of the rent not to exceed a predetermined payment standard (HAP Payments).

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

State Consolidated 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 subsidy.

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.

AN OVERVIEW OF THE 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 at June 30, 2018 were $2,205,443, a decrease of $68,801, from June 30, 2017.

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

CAPITAL ASSETS

As of June 30, 2018, the Authority's investment in capital assets for its governmental activities was $1,353,667 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements, equipment, and construction in process.

CAPITAL ASSET ANALYSIS
June 30, 2018 and 2017

	2018	2017	Change	% Change
Land	$ 13,767	$ 13,767	$ -	0.00%
Buildings	4,638,339	4,560,668	77,671	1.70%
Furniture and equipment	117,267	137,963	(20,696)	-15.00%
Construction in progress	60,922	103,364	(42,442)	-41.06%
Total capital assets	4,830,295	4,815,762	14,533	0.30%
Accumulated depreciation	(3,476,628)	(3,403,293)	(73,335)	2.15%
Capital assets, net of accumulated depreciation	$ 1,353,667	$ 1,412,469	$ (58,802)	-4.16%

ECONOMIC FACTORS AFFECTING THIS YEAR'S BUDGET

The following factors were considered in preparing the Authority's budget for the 2019 fiscal year:

- Administrative Fee Subsidies for the Housing Choice Voucher Program will continue to be funded at 80.0% (variable) of the published rate of $122.89 per unit month leased.
- State and local inflationary, recessionary and employment trends, which affect resident incomes, and therefore the calculated amounts of rental income.
- Labor and Industries dictates rates based on current rates in the local construction industry, which can affect maintenance wage rates.
- Costs of utilities and building materials and supplies will continue to rise.
- Costs of Employer Health Insurance, Employer Retirement Contributions, Worker's Compensation, Fire, Liability, and Property Insurance too will continue to rise.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE AUTHORITY

HUD's funding of operating subsidy at levels below 100% of eligibility.

LONG-TERM DEBT

The Authority had no long-term debt outstanding as of September 30, 2018.

STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	2018	2017	Change	% Change
Current Assets	$ 659,423	$ 707,603	$ (48,180)	-6.81%
Capital Assets	1,353,667	1,412,469	(58,802)	-4.16%
Total Assets	2,013,090	2,120,072	(106,982)	-5.05%
Deferred Outflows of Resources	192,353	154,172	38,181	24.77%
Current Liabilities	75,575	114,666	(39,091)	-34.09%
Noncurrent Liabilities	1,072,053	1,029,353	42,700	4.15%
Total Liabilities	1,147,628	1,144,019	3,609	0.32%
Deferred Inflows of Resources	256,579	21,435	235,144	1097.01%
Net Invested in Capital Assets	1,062,567	1,096,354	(33,787)	-3.08%
Restricted	538	37,965	(37,427)	-98.58%
Unrestricted (Deficit)	(261,869)	(25,529)	(236,340)	925.77%
Total Net Position	$ 801,236	$ 1,108,790	$ (307,554)	-27.74%

Highlights of the Authority's Statement of Net Position:

Total Current Assets decreased by $(48,180) due to loss in our net position. The increase in Noncurrent Liabilities is attributable to the increase of accrued pension (GASB 68) and OPEB (GASB 75) for the year June 30, 2018.
The decrease in restricted position is due to use of reserves for HAP payments in 2018.
The decrease in Unrestricted net position is mainly attributable to the offset of operating reserves to fund the accrued pension and OPEB liabilities as outlined in GASB 75 and GASB 68.

READING HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30, 2018 and 2017

	2018	2017	Change	% Change
Revenue				
Operating Revenues	$ 2,094,699	$ 2,128,812	$ (34,113)	-1.60%
Non-operating Revenues	86,098	100,786	(14,688)	-14.57%
Total Revenues	2,180,797	2,229,598	(48,801)	-2.19%
Expenses				
Housing assistance payments	1,208,534	1,187,888	20,646	1.74%
Administration	257,274	278,681	(21,407)	-7.68%
Repair and maintenance	347,817	350,240	(2,423)	-0.69%
Depreciation expense	101,361	119,780	(18,419)	-15.38%
Utilities	155,472	149,518	5,954	3.98%
Tenant services	1,346	1,706	(360)	-21.10%
Insurance expense	41,284	39,709	1,575	3.97%
Other general expenses	81,102	85,023	(3,921)	-4.61%
Interest expense	13,144	14,112	(968)	-6.86%
Total Expenses	2,207,334	2,226,657	(19,323)	-0.87%
Change in Net Position	(26,537)	2,941	(29,478)	-1002.31%
Net Position - Beginning of Year	1,108,790	1,105,849	2,941	0.27%
Prior Period Adjustments	(281,017)	-	(281,017)	-
Net Position - End of Year	$ 801,236	$ 1,108,790	$ (307,554)	-27.74%

Highlights of the Authority's Statement of Revenues, Expenses and Changes in Net Position:

The decrease in net position is attributable to revenues of $2,180,797 and expenses of $2,207,334 by ($26,537).
Housing Assistance Payments – There was an increase of $20,646 due to an increase in vouchers payment standards.
Maintenance Expense – There was a small decrease ($2,423) due to use of state modernization funds to maintain the dwelling units.
Utility expenses – There was a slight increase in the cost of utilities 3.98%.
Prior Period Adjustments - The prior period adjustment reflects the changes from prior years to account for the implementation of GASB 75.

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 addressed to the Executive Director, Reading Housing Authority, 22 Frank D Tanner Drive, Reading, MA 01867, or call (781) 944-6755.

BASIC FINANCIAL STATEMENTS

READING HOUSING AUTHORITY

STATEMENT OF NET POSITION
June 30, 2018

ASSETS	
Current Assets:	
Cash and cash equivalents - Note 4	$ 597,072
Restricted cash and cash equivalents - Notes 4 & 5	1,533
Accounts receivable, net - Note 6	45,178
Prepaid expenses and other current assets	15,640
Total Current Assets	659,423
Noncurrent Assets:	
Capital assets, net of accumulated depreciation - Note 7	1,353,667
Total Noncurrent Assets	1,353,667
Total Assets	2,013,090
DEFERRED OUTFLOWS OF RESOURCES - Notes 11 & 12	192,353
LIABILITIES	
Current Liabilities:	
Current portion of long term debt - Note 9	26,296
Accounts payable	17,316
Accounts payable, HUD	8,101
Accrued wages and current portion of compensated absences	22,858
Unearned revenue	9
Tenant security deposits	995
Total Current Liabilities	75,575
Noncurrent Liabilities:	
Long term debt, net of current portion - Note 9	264,804
Accrued pension - Notes 10 & 11	323,281
OPEB liability - Notes 10 & 12	483,968
Total Noncurrent Liabilities	1,072,053
Total Liabilities	1,147,628
DEFERRED INFLOWS OF RESOURCES - Notes 11 & 12	256,579
NET POSITION	
Net investment in capital assets	1,062,567
Restricted:	
HAP	538
Unrestricted (deficit)	(261,869)
Total Net Position	$ 801,236

READING HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

OPERATING REVENUES	
HUD grants and contributions	$ 1,286,480
Tenant rental income	731,361
Other revenue	66,858
Other government grants and contributions	10,000
Total Operating Revenues	2,094,699
OPERATING EXPENSES	
Housing assistance payments	1,208,534
Repair and maintenance	347,817
Administration	257,274
Utilities	155,472
Depreciation expense	101,361
Other general expenses	81,102
Insurance expense	41,284
Tenant services	1,346
Total Operating Expenses	2,194,190
Operating Loss	(99,491)
NONOPERATING REVENUES (EXPENSES)	
Gain on sale of capital assets	2,200
Interest and investment revenue	976
Interest expense	(13,144)
Total Nonoperating Revenues (Expenses)	(9,968)
Loss before Capital Contributions and Transfers	(109,459)
CAPITAL CONTRIBUTIONS & TRANSFERS	
Other government capital grants and contributions	82,922
Total Capital Contributions and Transfers	82,922
Change in Net Position	(26,537)
Net Position - Beginning of Year - As Restated	827,773
Net Position - End of Year	$ 801,236

READING HOUSING AUTHORITY

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
HUD grants	$ 1,274,858
Other government grants	(20,343)
Receipts from tenants	730,646
Other operating receipts	66,154
Payments to employees	(449,887)
Payments to suppliers	(1,666,332)
Net cash used in operating activities	(64,904)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Other government capital grants	123,210
Interest expense	(13,144)
Payments on long term debt	(25,015)
Proceeds from the sale of capital assets	2,200
Acquisitions of capital assets	(42,559)
Net cash provided by capital and related financing activities	44,692
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	976
Net cash provided by investing activities	976
Net decrease in cash and cash equivalents	(19,236)
Cash and cash equivalents at beginning of year	617,841
Cash and cash equivalents at end of year	$ 598,605
Reconciliation of operating loss to net cash used in operating activities:	
Operating Loss	$ (99,491)
Adjustments:	
Depreciation	101,361
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, tenants	(361)
(Increase) decrease in accounts receivable, other government	(12,448)
(Increase) decrease in prepaid expenses and other current assets	1,465
(Decrease) increase in accounts payable	11,203
(Decrease) increase in accounts payable, HUD	8,101
(Decrease) increase in accounts payable, other government	(17,895)
(Decrease) increase in compensated absences and accrued wages	(29,659)
(Decrease) increase in accrued pension liability	128,162
(Decrease) increase in OPEB liability	(134,892)
(Decrease) increase in tenant security deposits	161
(Decrease) increase in unearned operating revenue	(20,611)
Net cash used in operating activities	$ (64,904)

READING HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – ORGANIZATION

The Reading 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:

Section 8 Housing Choice Voucher – 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.

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.

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.

Local Program – The Authority owns and operated 13 units of housing in the Town of Reading. These units are leased on an affordable basis furthering the Authority's mission to provide safe, decent affordable housing.

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.

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

B. Basis of Presentation and Accounting – (Continued)

New Accounting Standard Adopted
During 2018, the Authority adopted the following accounting standards:

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. The adoption of this accounting standard resulted in an increase in the accrual for Postemployment Benefits other than Pensions of $301,944. Refer to Note 12.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018. There is no impact on the Authority's financial statements as a result of this standard.

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.

New Accounting Standards to be Adopted in Future Years
GASB Statement No. 83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.

GASB Statement No. 84, *Fiduciary Activities*, which is required to be implemented in 2020.

GASB Statement No. 85, *Omnibus 2017*, which is required to be implemented in 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.

GASB Statement No. 87, *Leases*, which is required to be implemented in 2021.

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

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.

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

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 $500 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 years
Furniture, Equipment and Machinery	5 years

G. Compensated Absences

The Authority allows employees to accumulate vacation and sick leave at varying rates depending upon years of service. Upon termination, all accumulated vacation leave will be paid to the employee. All accumulated maximum vacation leave is accrued when incurred in the financial statements. Employees are paid by prescribed formula for absence due to sickness and vacation. Total accrued compensated absences at June 30, 2018 aggregated $15,401.

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

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.

J. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the Authority's Other Postemployment Benefits Plan (OPEB plan). For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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

K. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are the consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are the acquisition of net position by the government that is applicable to a future reporting period. These consist of the deferral of the recognition of revenues and expenses until the future period to which the outflows and inflows are related. The Authority's deferred outflows or resources are either related to pension (See Note 11) or related to OPEB (See Note 12). The following is a summary of deferred outflows and inflows of resources at June 30, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Related to Pensions	$ 171,784	$ 63,133
Related to OPEB	20,569	193,446
Total	$ 192,353	$ 256,579

NOTE 3 – NET POSITION: RESTRICTED

At June 30, 2018, restrictions of $538, represent the net position restricted by HUD related to the Housing Choice Voucher Program to be used for future HAP payments.

NOTE 4 – CASH AND INVESTMENT DEPOSITS

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, 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 June 30, 2018, the Authority's cash deposits of $598,605 were fully insured or collateralized.

Investments – Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority does not have a policy for concentration of credit risk. At June 30, 2018 the Authority had $120,542 invested in bank certificates of deposit.

NOTE 5 – RESTRICTIONS ON CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority's restricted cash and cash equivalents balance consists of funds restricted for future HAP payments as well as funds designated for tenant security deposits. These amounts support either a corresponding liability or restricted net position. At June 30, 2018, restricted cash was categorized as follows:

Category of Restriction	Amount
HAP Reserves	$ 538
Tenant Security Deposits	995
Total	$ 1,533

NOTE 6 – ACCOUNTS RECEIVABLE

The following is a detail listing of receivables for the Authority including the applicable allowances for uncollectible accounts at June 30, 2018.

Category of Receivable	Amount
Other Government	$ 44,417
Tenants	1,105
Gross Receivables	45,522
Allowance - Tenants	(344)
Net Receivables	$ 45,178

NOTE 7 – CAPITAL ASSETS

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

	6/30/2017	Increases	Decreases	6/30/2018
Capital assets not being depreciated				
Land	$ 13,767	$ -	$ -	$ 13,767
Construction in Progress	103,364	35,229	(77,671)	60,922
Total capital assets not being depreciated	117,131	35,229	(77,671)	74,689
Other Capital Assets				
Buildings	4,560,668	77,671	-	4,638,339
Furniture, equipment & machinery	137,963	7,330	(28,026)	117,267
Total other capital assets	4,698,631	85,001	(28,026)	4,755,606
Less accumulated depreciation				
Buildings	3,285,936	95,286	-	3,381,222
Furniture, equipment & machinery	117,357	6,075	(28,026)	95,406
Total accumulated depreciation	3,403,293	101,361	(28,026)	3,476,628
Capital Assets Net	$ 1,412,469	$ 18,869	$ (77,671)	$ 1,353,667
Depreciation expense was charged to:				
State/Local		$ 101,361		

NOTE 8 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2018 is as follows:

	6/30/2017	Additions	Reductions	Amount due within one year	6/30/2018
Pension Accrual	$ 392,082	$ -	$ (68,801)	$ -	$ 323,281
OPEB Liability	639,787	(130,605)	(25,214)	-	483,968
Total	$ 1,031,869	$ (130,605)	$ (94,015)	$ -	$ 807,249

NOTE 9 – LONG TERM DEBT

Long term debt activity for the year ended June 30, 2018 is as follows:

	6/30/2017	Additions	Reductions	Amount due within one year	6/30/2018
Notes Payable	$ 316,115	$ -	$ (25,015)	$ (26,296)	$ 264,804

In 1997, Authority borrowed $114,950 from Reading Cooperative Bank to purchase property in Reading to further its local housing program. The note is collateralized by the property. The note is being repaid in equal monthly installments of principal and interest of $616.21. Interest accrues at a rate of 4.25% per annum. For the year ended June 30, 2018, the Authority incurred interest expense of $2,812. The total principal balance outstanding at June 30, 2018 was $56,090.

In 1999, Authority borrowed $180,000 from Reading Cooperative Bank to purchase property in Reading to further its local housing program. The note is collateralized by the property. The note is being repaid in equal monthly installments of principal and interest of $1,043.19. Interest accrues at a rate of 4.25% per annum. For the year ended June 30, 2018, the Authority incurred interest expense of $4,294. The total principal balance outstanding at June 30, 2018 was $95,406.

In 2001, Authority borrowed $95,000 from Reading Cooperative Bank to purchase property in Reading to further its local housing program. The note is collateralized by the property. The note is being repaid in equal monthly installments of principal and interest of $589.93. Interest accrues at a rate of 4.25% per annum. For the year ended June 30, 2018, the Authority incurred interest expense of $2,438. The total principal balance outstanding at June 30, 2018 was $54,158.

In 2004, Authority borrowed $144,000 from Reading Cooperative Bank to purchase property in Reading to further its local housing program. The note is collateralized by the property. The note is being repaid in equal monthly installments of principal and interest of $930.60. Interest accrues at a rate of 4.25% per annum. For the year ended June 30, 2018, the Authority incurred interest expense of $3,600. The total principal balance outstanding at June 30, 2018 was $85,446.

The debt will be amortized as follows:

Year	Principal Payments	Interest Payments
2019	$ 26,296	$ 11,863
2020	27,435	10,724
2021	28,624	9,535
2022	29,865	8,294
2023	31,181	6,979
2024-2028	147,699	13,939
Total	$ 291,100	$ 61,334

NOTE 10 – REAL ESTATE TAXES

Property owned by the Authority is exempt from local real estate taxes. 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 June 30, 2018 aggregated $7,379.

NOTE 11 – COST-SHARING DEFINED BENEFIT PENSION PLAN

A. Plan Description and Membership

The Authority provides pension benefits to certain employees through the Reading Contributory Retirement System (RCRS), 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 RCRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to RCRS, 2 Haven Street Unit 307, Reading, MA 01867 or by calling (781) 942-9007.

B. Significant Plan Provisions and Requirements

State law establishes benefit provisions and contribution requirements of the RCRS. 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.

NOTE 11 – COST-SHARING DEFINED BENEFIT PENSION PLAN – (Continued)

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 .874% of the total. The Authority's required and actual contributions to RCRS for the year ended June 30, 2018 were $49,492. Employee contributions for the same period were $19,497.

D. Pension Liabilities

At June 30, 2018, the Authority reported a liability of $323,281 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, 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.

E. Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2018, the Authority recognized pension expense of $54,262. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 43,929	$ 15,546
Changes of assumptions	51,631	-
Net difference between projected and actual earnings on pension plan investments	-	47,587
Changes in proportion and differences between contributions and proportionate share of contributions	26,732	-
Contributions subsequent to the measurement date	49,492	-
Total	$ 171,784	$ 63,133

NOTE 11 – COST-SHARING DEFINED BENEFIT PENSION PLAN – (Continued)

E. Pension Expense and Deferred Inflows and Outflows of Resources - (Continued)

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

Year	Deferred Outflows (Inflows) of Resources
2019	$ 78,489
2020	28,628
2021	5,603
2022	(10,128)
2023	6,059
Total	$ 108,651

F. Actuarial Methods & Assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal Cost Method
Investment rate of return	7.65%
Discount rate	7.65%
Inflation	3.00%
Salary increases	4.25% to 7.00%
Cost of living adjustments	3.00% of the first $12,000 of annual retirement allowance
Mortality rates	Based on the RP-2014 Mortality Table

NOTE 11 – COST-SHARING DEFINED BENEFIT PENSION PLAN – (Continued)

F. Actuarial Methods & Assumptions – (Continued)

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:

Asset Class	Target Allocation	Expected Rate of Return
Global equity	40.00%	4.91%
Fixed income	12.00%	0.71%
Value-added fixed income	10.00%	3.64%
Private equity	11.00%	6.50%
Real estate	10.00%	3.70%
Timber/natural resources	4.00%	3.25%
Hedge funds	13.00%	3.40%

G. Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 7.65 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-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease 6.65%	Current Discount 7.65%	1% Increase 8.65%
Net pension liability (asset)	$ 499,000	$ 323,281	$ 174,241

NOTE 11 – COST-SHARING DEFINED BENEFIT PENSION PLAN – (Continued)

I. Pension Plan Fiduciary Net Position

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

J. Payables to the Pension Plan

As of June 30, 2018, the Authority had no outstanding payables to RCRS.

NOTE 12 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Benefits Provided

The Authority's defined benefit OPEB plan provides OPEB for all permanent full-time employees of the Authority. The OPEB plan is a single employer defined benefit OPEB plan administered by the Authority. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement 75.

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).

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.

B. Plan Membership

Currently, there are 12 active employees and 16 retired employees enrolled in the plan.

C. Total OPEB Liability

The Authority's total OPEB liability of $483,968 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

NOTE 12 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)

D. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Valuation Date: Actuarially Determined Contribution was calculated as of July 1, 2017.

Actuarial Cost Method: Individual Entry Age Normal

Investment Rate of Return**:** 6.50%, net of OPEB plan investment, including inflation

Municipal Bond Rate: 3.13% as of July 1, 2017 (Source: S&P Municipal Bond 20-Year High Grade Index – SAPIHG)

Discount Rate: 3.25%, net of OPEB plan investment expense, including inflation.

Inflation: 2.75 % as of July 1, 2017 and for future periods

Salary Increase: 3.00% annually as of July 1, 2017 and for future periods

Cost of Living Adjustment: Not Applicable

Pre-Retirement Mortality: RP 2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.

Post-Retirement Mortality: RP 2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.

Disabled Mortality: RP 2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2012 for males and females.

Mortality Experience Study: The mortality assumptions reflect PERAC's recent experience analysis published in 2014 (based on the years 2006-2011), updated to reflect data through January 1, 2015 for post-retirement mortality, and professional judgement. As such, mortality assumptions reflect observed current mortality as well as expected mortality improvements.

Healthcare Trend: It is assumed that healthcare costs will increases at a rate of 5.0% per annum

Withdrawal Rates*:* Plan participants are expected to withdraw from the plan at a decreasing rate, based on years of service and age, from 27.0% at age 20 and 0-4 years of service to 3.50% at age 60 and 10+ years of service.

Retirement Rates: Plan participants are expected to retire at an increasing rate based on age and gender. Males are expected to retire at a rate of 1% for those aged 50 years, to 100% for those aged 70 years. Females are expected to retire at a rate of 1.5% for those aged 50 years, to 100% for those aged 70 years.

NOTE 12 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)

E. Changes in the Total OPEB Liability

Balance at beginning of year	$	639,787
Changes for the year:		
Service cost		22,218
Interest		21,723
Difference between expected and actual experience		(193,446)
Changes of Assumptions		18,900
Benefit payments		(25,214)
Net Changes		(155,819)
Balance at end of year	$	483,968

F. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the Plan's total OPEB liability, calculated using the discount rate of 3.25% as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.25%) or 1 percentage-point higher (4.25%) than the current rate.

	1% Decrease 2.25%	Current Discount 3.25%	1% Increase 4.25%
Total OPEB liability	$ 555,888	$ 483,968	$ 425,820

G. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate

The following table presents the net other postemployment benefit liability, calculated the healthcare trend rate if it was 1 percentage-point lower or 1 percentage-point higher than the current rate.

	1% Decrease 4.00%	Current Trend 5.00%	1% Increase 6.00%
Total OPEB liability	$ 410,401	$ 483,968	$ 575,213

NOTE 12 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)

H. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Authority recognized OPEB expenses of $18,727. At June 30, 2018, the Authority reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 193,446
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	-
Contributions subsequent to the measurement date	20,569	-
Total	$ 20,569	$ 193,446

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	Deferred Outflows (Inflows) of Resources
2019	$ (18,120)
2020	(38,689)
2021	(38,689)
2022	(38,689)
2023	(38,690)
Total	$ (172,877)

NOTE 13 – 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 2018 were $32,995. There were no employer contributions.

NOTE 14 – 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 15 – 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 2018.

NOTE 16 – 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 17 – RESTATEMENT OF BEGINNING NET POSITION

Prior period adjustments are the net effect of changes resulting from the adoption of a new accounting standard, GASB 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The prior period adjustments for the period ending June 30, 2018 aggregated $281,017, which represents an increase in accrued OPEB. The following is a summary of the adjustment to the beginning net position:

Beginning Net Position	$ 1,108,790
Increase in OPEV Liability	(281,017)
Beginning Net Position - Restated	$ 827,773

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 February 14, 2019 (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

READING HOUSING AUTHORITY

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2018

		2017
Total OPEB Liability		
Service cost	$	22,218
Interest		21,723
Changes of benefit terms		-
Difference between expected and actual experience		(193,446)
Changes of Assumptions		18,900
Benefit payments		(25,214)
Net Change in Total Pension Liability		(155,819)
Total OPEB Liability - Beginning		639,787
Total OPEB Liability - Ending (a)	$	483,968
Plan Fiduciary Net Position		
Contributions - Employer	$	25,214
Net investment income		-
Benefit payments		(25,214)
Administrative expense		-
Net Change in Plan Fiduciary Net Position		-
Plan Fiduciary Net Position - Beginning		-
Plan Fiduciary Net Position - Ending (b)	$	-
Net OPEB Liability/(Asset) - Ending (a) - (b)	$	483,968
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		0.00%
Covered Employee Payroll	$	353,757
Net OPEB Liability/(Asset) as a Percentage of Covered Employee Payroll		136.81%

READING HOUSING AUTHORITY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Reading Contributory Retirement System
For the Year Ended June 30, 2018

	2018	2017
Proportion of the net pension liability (asset)	0.870%	0.874%
Proportionate share of the net pension liability (asset)	$ 323,281	$ 392,082
Covered-employee payroll	$ 153,276	$ 269,699
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	210.9%	145.4%
Plan fiduciary net position as a percentage of the total pension liability	79.320%	73.430%

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

READING HOUSING AUTHORITY

SCHEDULE OF CONTRIBUTIONS
Reading Contributory Retirement System
For the Year Ended June 30, 2018

	2018	2017
Contractually required contribution	$ 49,492	$ 47,361
Contributions in relation to the contractually required contribution	49,492	47,361
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 153,276	$ 269,699
Contributions as a percentage of covered-employee payroll	32.29%	17.56%

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

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2018

NOTE 1 – POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

A. Description of Required Supplemental Information

The Schedule of the Proportionate Share of the Net Other Postemployment Benefit Liability details the Plan's net other postemployment benefit liability (asset) and the covered employee payroll. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered payroll.

B. 10-Year Trend Information

The Schedule of the Total OPEB liability is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years in which information is available.

C. Changes in Assumptions

Effective June 30, 2018

- Discount rate is 3.25%, previously 3.50%

D. Changes in Benefit Terms

There were no changes in benefit terms from the prior measurement report.

NOTE 2 – PENSION PLAN SCHEDULES

A. Description of Required Supplemental Information

The Schedule of the Proportionate Share of the Net Pension Liability presents multi-year trend information on the Authority's share of the Net Pension Liability and related ratios.

The Schedule of Contributions presents multiyear trend information for the Authority's required and actual contributions relating to the pension plan.

B. 10-Year Trend Information

The Schedules of the Proportionate Share of the Net Pension Liability and the Schedule of Contributions are intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years in which information is available.

C. Changes in Benefit Terms

There were no changes in benefit terms from the prior measurement report.

D. Changes in Assumptions

There were no changes in assumptions from the prior measurement report.

SUPPLEMENTAL INFORMATION

READING HOUSING AUTHORITY

SUPPLEMENTAL FINANCIAL DATA SCHEDULE
June 30, 2018

FDS Line Item	Description	Housing Choice Vouchers	State/Local	Total
111	Cash - Unrestricted	35,532	561,540	597,072
113	Cash - Other Restricted	538	-	538
114	Cash - Tenant Security Deposits	-	995	995
100	Total Cash	36,070	562,535	598,605
124	Accounts Receivable - Other Government	-	44,417	44,417
126	Accounts Receivable - Tenants	-	1,105	1,105
126.1	Allowance for Doubtful Accounts -Tenants	-	(344)	(344)
120	Total Receivables, Net of Allowances for Doubtful Accounts	-	45,178	45,178
142	Prepaid Expenses and Other Assets	1,154	14,486	15,640
150	Total Current Assets	37,224	622,199	659,423
161	Land	-	13,767	13,767
162	Buildings	-	4,638,339	4,638,339
164	Furniture, Equipment & Machinery - Administration	-	117,267	117,267
166	Accumulated Depreciation	-	(3,476,628)	(3,476,628)
167	Construction in Progress	-	60,922	60,922
160	Total Capital Assets, Net of Accumulated Depreciation	-	1,353,667	1,353,667
180	Total Non-Current Assets	-	1,353,667	1,353,667
200	Deferred Outflow of Resources	33,505	158,848	192,353
290	Total Assets and Deferred Outflow of Resources	70,729	2,134,714	2,205,443
312	Accounts Payable <= 90 Days	250	17,066	17,316
321	Accrued Wage/Payroll Taxes Payable	216	7,241	7,457
322	Accrued Compensated Absences - Current Portion	415	14,986	15,401
331	Accounts Payable - HUD PHA Programs	8,101	-	8,101
341	Tenant Security Deposits	-	995	995
342	Unearned Revenue	-	9	9
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	26,296	26,296
310	Total Current Liabilities	8,982	66,593	75,575
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	264,804	264,804
357	Accrued Pension and OPEB Liabilities	202,327	604,922	807,249

READING HOUSING AUTHORITY

SUPPLEMENTAL FINANCIAL DATA SCHEDULE
June 30, 2018

FDS Line Item	Description	Housing Choice Vouchers	State/Local	Total
350	Total Non-Current Liabilities	202,327	869,726	1,072,053
300	Total Liabilities	211,309	936,319	1,147,628
400	Deferred Inflow of Resources	17,639	238,940	256,579
508.4	Net Investment in Capital Assets	-	1,062,567	1,062,567
511.4	Restricted Net Position	538	-	538
512.4	Unrestricted Net Position	(158,757)	(103,112)	(261,869)
513	Total Equity - Net Assets / Position	(158,219)	959,455	801,236
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	70,729	2,134,714	2,205,443
70300	Net Tenant Rental Revenue	-	731,361	731,361
70500	Total Tenant Revenue	-	731,361	731,361
70600	HUD PHA Operating Grants	1,286,480	-	1,286,480
70800	Other Government Grants	-	92,922	92,922
71100	Investment Income - Unrestricted	2	974	976
71400	Fraud Recovery	704	-	704
71500	Other Revenue	-	66,154	66,154
71600	Gain or Loss on Sale of Capital Assets	-	2,200	2,200
70000	Total Revenue	1,287,186	893,611	2,180,797
91100	Administrative Salaries	13,975	109,989	123,964
91200	Auditing Fees	1,125	7,475	8,600
91500	Employee Benefit contributions - Administrative	11,097	54,929	66,026
91800	Travel	-	2,572	2,572
91900	Other	6,947	49,165	56,112
91000	Total Operating - Administrative	33,144	224,130	257,274
92400	Tenant Services - Other	-	1,346	1,346
92500	Total Tenant Services	-	1,346	1,346
93100	Water	-	37,723	37,723
93200	Electricity	-	109,442	109,442
93300	Gas	-	102	102

READING HOUSING AUTHORITY

SUPPLEMENTAL FINANCIAL DATA SCHEDULE
June 30, 2018

FDS Line Item	Description	Housing Choice Vouchers	State/Local	Total
93400	Fuel	-	8,205	8,205
93000	Total Utilities	-	155,472	155,472
94100	Ordinary Maintenance and Operations - Labor	-	139,749	139,749
94200	Ordinary Maintenance and Operations - Materials and Other	-	23,486	23,486
94300	Ordinary Maintenance and Operations Contracts	-	54,018	54,018
94500	Employee Benefit Contributions - Ordinary Maintenance	-	74,439	74,439
94000	Total Maintenance	-	291,692	291,692
96140	All Other Insurance	5,484	35,800	41,284
96100	Total insurance Premiums	5,484	35,800	41,284
96200	Other General Expenses	64,072	-	64,072
96210	Compensated Absences	969	8,351	9,320
96300	Payments in Lieu of Taxes	-	7,379	7,379
96400	Bad debt - Tenant Rents	-	331	331
96000	Total Other General Expenses	65,041	16,061	81,102
96710	Interest of Mortgage (or Bonds) Payable	-	13,144	13,144
96700	Total Interest Expense and Amortization Cost	-	13,144	13,144
96900	Total Operating Expenses	103,669	737,645	841,314
97000	Excess of Operating Revenue over Operating Expenses	1,183,517	155,966	1,339,483
97100	Extraordinary Maintenance	-	56,125	56,125
97300	Housing Assistance Payments	1,208,534	-	1,208,534
97400	Depreciation Expense	-	101,361	101,361
90000	Total Expenses	1,312,203	895,131	2,207,334
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(25,017)	(1,520)	(26,537)
11030	Beginning Equity	(72,133)	1,180,923	1,108,790
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	(61,069)	(219,948)	(281,017)
11170	Administrative Fee Equity	(158,757)	-	(158,757)
11180	Housing Assistance Payments Equity	538	-	538
11190	Unit Months Available	1,500	1,332	2,832
11210	Number of Unit Months Leased	1,234	1,300	2,534

READING HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

	CFDA Number	Direct Award	Pass-Through Agency	Pass-Through Award Number	Amounts Provided to Sub-recipients	Federal Financial Assistance Expenditures
Department of Housing & Urban Development (HUD)						
Housing Voucher Cluster						
Section 8 Housing Choice Vouchers	14.871	Yes	N/A	N/A	$ -	$ 1,286,480
Total Housing Voucher Cluster					-	1,286,480
Total Department of Housing & Urban Development					-	1,286,480
Total All Programs					$ -	$ 1,286,480

READING HOUSING AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Reading Housing Authority under programs of the federal government for the year ended June 30, 2018. 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 Reading Housing Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Reading 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 June 30, 2018, the Reading 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 June 30, 2018, the Reading 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
Reading Housing Authority
Reading, 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 Reading Housing Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Reading Housing Authority's basic financial statements, and have issued our report thereon dated February 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Reading Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Reading Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Reading Housing Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 Reading 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Guyder Hurley PC

Braintree, Massachusetts
February 14, 2019

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
Reading Housing Authority
Reading, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Reading 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 Reading Housing Authority's major federal programs for the year ended June 30, 2018. The Reading 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 Reading 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 Reading 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 Reading Housing Authority's compliance.

Opinion on Section 8 Housing Choice Vouchers

In our opinion, the Reading 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 June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

Reading Housing Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Reading Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Reading 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 Reading 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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Reading 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identity certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be significant deficiencies.

Reading Housing Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Reading Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Braintree, Massachusetts
February 14, 2019

READING HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	*Unmodified Opinion*
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ Yes __X__ No
• Significant deficiency(ies) identified?	_____ Yes __X__ None Reported
Noncompliance material to financial statements noted?	_____ Yes __X__ No

FEDERAL AWARDS

Internal control over major programs:	
• Material weakness(es) identified?	_____ Yes __X__ No
• Significant deficiency(ies) identified?	__X__ Yes _____ None Reported
Type of auditors' report issued on compliance for major programs:	*Unmodified Opinion*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	__X__ Yes _____ No

Identification of major programs:

Name of Federal Program or Cluster	CFDA #
Housing Choice Voucher Program	14.871

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? ______ Yes __X__ No

SECTION II - FINANCIAL STATEMENTS FINDINGS

No matters were reported.

READING HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2018-001 – Reporting: Federal Audit Clearinghouse

Federal Program

CFDA #: 14.871 – Housing Choice Voucher Program

Criteria

The Federal Audit Clearinghouse (FAC) acts as an agent for OMB to (1) establish and maintain a Governmentwide database of single audit results and related Federal award information; (2) serve as the Federal repository for single audit reports; and (3) distribute single audit reports to Federal agencies.

In accordance with 2 CFR 200.512(a)(1) the data collection form must be submitted within the earlier of 30 calendar days after the receipt of the auditor's report, or nine months after the end of the audit period.

Condition

The Authority did not submit its 2017 audited financial statements to the Federal Audit Clearinghouse.

Questioned Costs

None identified.

Context

The Authority is required to submit its financials statements to the Federal Audit Clearinghouse on an annual basis.

Effect or Potential Effect

The Authority was not in compliance with the Uniform Guidance due to improper reporting of the 2017 single audit.

Cause

The Authority switched auditors and executive directors between fiscal years 2017 and 2018, and they were not aware of the submission status.

Repeat Finding

Not a repeat finding.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - (CONTINUED)

Finding 2018-001 – Reporting: Federal Audit Clearinghouse - (Continued)

Recommendation

We recommend that the Authority submit the data collection form within the time limit in accordance with the Uniform Guidance.

Auditee's Response and Planned Corrective Action

See Corrective Action Plan.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reported.

READING HOUSING AUTHORITY

CORRECTIVE ACTION PLAN
June 30, 2018

Finding 2018-001 – Reporting: Federal Audit Clearinghouse

<u>Auditee's Response and Planned Corrective Action</u>

The Authority has completed the submission for 2017 and will work with the new auditors to ensure the submission is completed in a timely manner.

Planned Implementation Date of Corrective Action: June 30, 2019

Person Responsible for Corrective Action: Julie Johnston, Executive Director