NIAGARA FALLS HOUSING AUTHORITY

Basic Financial Statements, Required Supplementary Information, Supplementary Information and Federal Awards Information for the Years Ended March 31, 2018 and 2017 and Independent Auditors' Reports

NIAGARA FALLS HOUSING AUTHORITY
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Year Ended March 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Niagara Falls Housing Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Niagara Falls Housing Authority (the "Authority"), as of and for the years ended March 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of March 31, 2018 and 2017, and the respective changes in its financial position and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Supplementary Information, 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"), and the electronically filed financial data schedule ("Appendix A"), as required by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, the Schedule of Expenditures of Federal Awards, and Appendix A are the responsibility of management and were derived from and relate 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 Supplementary Information, as listed in the table of contents, the Schedule of Expenditures of Federal Awards, and Appendix A are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Authority's internal control over financial reporting and compliance.

Drescher & Malecki LLP

October 9, 2018

As management of the Niagara Falls 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 March 31, 2018. This document should be read in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

Financial Highlights

- The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $48,735,018 (net position) at March 31, 2018. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities by $48,398,794.

- The Authority's net position increased by $336,224 for the year ended March 31, 2018.

- At March 31, 2018, the Authority's net investment in capital assets, net of related debt, totaled $11,883,515, which includes property and equipment, net of accumulated depreciation.

- The Authority reported unrestricted net position of $36,851,503 at March 31, 2018. This represents the portion of net position available to maintain the Authority's continuing obligations to citizens and creditors.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: the Authority's financial statements and notes to those financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial statements—The financial statements are prepared using the accrual basis of accounting. The financial statements are organized as follows:

The *statements of net position* on page 14 present information on all of the Authority's assets, liabilities, and deferred outflows/inflows of resources, with the differences reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statements of revenue, expenses, and changes in net position* on page 15 present information showing how the Authority's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *statements of cash flows* on pages 16-17 present the cash flow activities for the most recent reporting years and the effect that these activities had on the Authority's cash and cash equivalent balances.

The *notes to the financial statements* on pages 18-33 provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found following the financial statements section of this report.

Other information—In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* concerning the Authority's progress in funding its obligation to provide postemployment benefits to its employees and the Authority's net pension liability. Required supplementary information can be found on pages 34-36 of this report.

Other supplementary information is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 37-39.

The Federal Awards Information section presents the Authority's Schedule of Expenditures of Federal Awards. This section can be found on pages 40-47 of this report.

Financial Analysis

As noted earlier, net position over time may serve as useful indicator of an entity's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $48,735,018 at the close of the most recent fiscal year, as compared to $48,398,794 at the close of the fiscal year ended March 31, 2017.

Table 1, shown below, presents condensed statements of net position as of March 31, 2018 and March 31, 2017.

Table 1—Condensed Statements of Net Position

	March 31,	
	2018	2017
Current assets	$ 10,860,156	$ 9,163,123
Noncurrent assets	39,423,170	40,490,502
Total assets	50,283,326	49,653,625
Deferred outflows of resources	803,608	1,466,529
Current liabilities	849,472	614,910
Noncurrent liabilities	1,377,809	1,955,556
Total liabilities	2,227,281	2,570,466
Deferred inflows of resources	124,635	150,894
Net position:		
Net investment in capital assets	11,883,515	12,950,847
Unrestricted	36,851,503	35,447,947
Total net position	$ 48,735,018	$ 48,398,794

(continued)

(concluded)

	March 31,	
	2017	2016
Current assets	$ 9,163,123	$ 9,256,080
Noncurrent assets	40,490,502	41,182,017
Total assets	49,653,625	50,438,097
Deferred outflows of resources	1,466,529	497,293
Current liabilities	590,935	576,109
Noncurrent liabilities	1,979,531	985,341
Total liabilities	2,570,466	1,561,450
Deferred inflows of resources	150,894	-
Net position:		
Net investment in capital assets	12,950,847	13,778,633
Unrestricted	35,447,947	35,595,307
Total net position	$ 48,398,794	$ 49,373,940

For the year ended March 31, 2018, total assets increased due to an increase in cash and cash equivalents due to operations, partially offset by a decrease in capital assets due to additional depreciation over additions. Current liabilities increased due to an increase in accounts payable and other current liabilities. Long term liabilities decreased primarily due to the Authority's net pension liability.

For the year ended March 31, 2017, total assets decreased due to additional depreciation over capital asset additions, as well as a decrease in cash due to operations. Current liabilities increased due to an increase in unearned revenue and long term liabilities increased primarily due to the Authority's net pension liability.

Table 2, presented below, shows the changes in net position for the years ended March 31, 2018, 2017, and 2016.

Table 2—Condensed Statements of Changes in Net Position

	Year Ended March 31,	
	2018	2017
Operating revenues:		
Tenant rental revenue	$ 2,227,334	$ 2,313,996
Program grants/subsidies	4,807,011	5,403,216
Other	2,321,378	475,375
Total operating revenues	9,355,723	8,192,587
Operating expenses	9,355,525	9,592,335
Operating income (loss)	198	(1,399,748)
Nonoperating revenues (expenses)	49,031	83,695
Net income before capital contribution	49,229	(1,316,053)
Capital contribution	286,995	340,907
Change in net position	336,224	(975,146)
Net position—beginning	48,398,794	49,373,940
Net position—ending	$48,735,018	$48,398,794

(continued)

(concluded)

	Year Ended March 31, 2017	2016
Operating revenues:		
Tenant rental revenue	$ 2,313,996	$ 2,275,256
Program grants/subsidies	5,403,216	4,992,334
Other	475,375	606,496
Total operating revenues	8,192,587	7,874,086
Operating expenses	9,592,335	8,889,630
Operating income (loss)	(1,399,748)	(1,015,544)
Nonoperating revenues (expenses)	83,695	83,726
Net income before capital contribution	(1,316,053)	(931,818)
Capital contribution	340,907	620,084
Change in net position	(975,146)	(311,734)
Net position—beginning	49,373,940	49,478,321
Restatement	-	207,353
Net position—ending	$ 48,398,794	$ 49,373,940

Operating revenues increased 14.2 percent during the current year ended March 31, 2018 as the result of an increase in other income due to recapture money awarded from HUD as a result of a lawsuit. Operating expenses decreased 2.5 percent primarily as the result of decreases in general expenses as there was no pass through of funds to tax credit property in the current year. Tenant services increased while maintenance and operations decreased as a result of reallocation of expenses.

Operating revenues increased 4.0 percent during the year ended March 31, 2017, while operating expenses increased by 7.9 percent. Administrative expenses decreased during the year ended March 31, 2018 due to a reduction in staff at the administrative level which includes salaries and fringe benefits. Maintenance and operations increased due to various contractual expenses. Program grants/subsidies and general expenses include $500,000 of grant money received and subsequently passed through to tax credit property.

A summary of operating revenues for the years ended March 31, 2018, 2017 and 2016 is presented on the following page in Table 3.

Table 3—Summary of Operating Revenues

	Year Ended March 31,		Increase/(Decrease)	
	2018	2017	Dollars	Percent
Tenant rental revenue	$ 2,227,334	$ 2,313,996	$ (86,662)	(3.7)
Program grants/subsidies	4,807,011	5,403,216	(596,205)	(11.0)
Other income	2,321,378	475,375	1,846,003	388.3
Total operating revenues	$ 9,355,723	$ 8,192,587	$ 1,163,136	14.2

	Year Ended March 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent
Tenant rental revenue	$ 2,313,996	$ 2,275,256	$ 38,740	1.7
Program grants/subsidies	5,403,216	4,992,334	410,882	8.2
Other income	475,375	606,496	(131,121)	(21.6)
Total operating revenues	$ 8,192,587	$ 7,874,086	$ 318,501	4.0

Program grants/subsidies represent the majority of revenue for the Authority, which was 51.4 percent, 65.0 percent and 63.4 percent of total operating revenues for the years ended March 31, 2018, 2017, and 2016, respectively.

A summary of operating expenses is for the years ended March 31, 2018, 2017 and 2016 is presented below in Table 4.

Table 4—Summary of Operating Expenses

	Year Ended March 31,		Increase/(Decrease)	
	2018	2017	Dollars	Percent
Administrative	$ 3,044,291	$ 3,016,001	$ 28,290	0.9
Tenant services	863,925	1,262,945	(399,020)	(31.6)
Utilities	929,147	843,096	86,051	10.2
Maintenance and operations	2,266,680	1,682,401	584,279	34.7
General expenses	887,305	1,424,886	(537,581)	(37.7)
Depreciation	1,364,177	1,363,006	1,171	0.1
Total operating expenses	$ 9,355,525	$ 9,592,335	$ (236,810)	(2.5)

	Year Ended March 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent
Administrative	$ 3,016,001	$ 3,492,339	$ (476,338)	(13.6)
Tenant services	1,262,945	824,194	438,751	53.2
Utilities	843,096	796,445	46,651	5.9
Maintenance and operations	1,682,401	1,361,139	321,262	23.6
General expenses	1,424,886	814,388	610,498	75.0
Depreciation	1,363,006	1,601,125	(238,119)	(14.9)
Total operating expenses	$ 9,592,335	$ 8,889,630	$ 702,705	7.9

Administrative expenses are the largest expense of the Authority and account for 32.5 percent, 31.4 percent, and 39.3 percent of the Authority's operating expenses for the years ended March 31, 2018, 2017, and 2016, respectively. For the years ended March 31, 2018 and 2017, the second largest operating expense was maintenance and operations, which accounted for 24.2 percent and 17.5 percent, respectively, of the Authority's operating expenses. For the year ended March 31, 2016, the second largest operating expense was depreciation, which accounted for 18.0 percent of the Authority's total operating expenses.

A condensed version of the Authority's statements of cash flows for the years ended March 31, 2018, 2017, and 2016 is presented in Table 5 below.

Table 5—Summary of Cash Flow Activities

	Year Ended March 31,		Increase/(Decrease)
	2018	2017	Dollars
Cash flows provided by (used for):			
Operating activities	$ 1,515,001	$ (156,693)	$ 1,671,694
Investing activities	83,623	83,695	(72)
Noncapital investing activities	(1,228)	(1,730)	502
Capital and realated financing activities	(44,442)	(195,354)	150,912
Net increase (decrease) in cash and cash equivalents	1,552,954	(270,082)	1,823,036
Cash and cash equivalents—beginning	7,881,916	8,151,998	(270,082)
Cash and cash equivalents—ending	$ 9,434,870	$ 7,881,916	$ 1,552,954

	Year Ended March 31,		Increase/(Decrease)
	2017	2016	Dollars
Cash flows provided by (used for):			
Operating activities	$ (156,693)	$ (228,851)	$ 72,158
Investing activities	83,695	83,726	(31)
Noncapital investing activities	(1,730)	898	(2,628)
Capital and realated financing activities	(195,354)	(110,535)	(84,819)
Net increase (decrease) in cash and cash equivalents	(270,082)	(254,762)	(15,320)
Cash and cash equivalents—beginning	8,151,998	8,406,760	(254,762)
Cash and cash equivalents—ending	$ 7,881,916	$ 8,151,998	$ (270,082)

During the year ended March 31, 2018, cash flows from operating activities increased $1,671,694 as a result of an increase in other income due to recapture money awarded from HUD as a result of a lawsuit

Capital Assets

The Authority's net investment in capital assets as of March 31, 2018 amounted to $11,883,515 (net of accumulated depreciation) as compared to $12,950,847 as of March 31, 2017 and $13,853,362 as of March 31, 2016. This investment includes land, construction in progress, buildings and improvements, and furniture, machinery and equipment.

Presented in Table 6 on the following page is a comparative summary of the Authority's capital assets. Additional information on the Authority's capital assets can be found in Note 5 to the financial statements.

Table 6—Summary of Capital Assets (Net of Accumulated Depreciation)

	Year Ended March 31,	
	2018	2017
Capital assets not being depreciated:		
Land	$ 773,409	$ 773,409
Construction in progress	585,488	1,476,386
Total capital assets, not being depreciated	1,358,897	2,249,795
Capital assets not being depreciated:		
Buildings and improvements	49,949,523	48,881,190
Furniture, machinery and equipment	2,158,850	2,129,331
Total capital assets, being depreciated	52,108,373	51,010,521
Less accumulated depreciation	(41,583,755)	(40,309,469)
Total capital assets, being depreciated, net	10,524,618	10,701,052
Total capital assets, net	$ 11,883,515	$ 12,950,847

	Year Ended March 31,	
	2017	2016
Capital assets not being depreciated:		
Land	$ 773,409	$ 773,409
Construction in progress	1,476,386	1,135,479
Total capital assets, not being depreciated	2,249,795	1,908,888
Capital assets not being depreciated:		
Buildings and improvements	48,881,190	48,866,199
Furniture, machinery and equipment	2,129,331	2,024,738
Total capital assets, being depreciated	51,010,521	50,890,937
Less accumulated depreciation	(40,309,469)	(38,946,463)
Total capital assets, being depreciated, net	10,701,052	11,944,474
Total capital assets, net	$ 12,950,847	$ 13,853,362

Debt Administration

At March 31, 2018, the Authority had long-term debt outstanding, including compensated absences, lease payable, notes payable, other postemployment benefits and net pension liability of $1,401,351 as opposed to $1,979,531 at March 31, 2017, and $985,341 at March 31, 2016.

A summary of the Authority's long-term outstanding debt is presented in Table 7 on the following page.

Table 5—Summary of Long-Term liabilities

	Year Ended March 31, 2018	Year Ended March 31, 2017	Increase/(Decrease) Dollars
Compensated absences	$ 235,439	$ 239,742	$ (4,303)
Notes payable	350,000	350,000	-
Other postemployment benefits	165,884	178,823	(12,939)
Net pension liability	650,029	1,210,966	(560,937)
Total	$ 1,401,352	$ 1,979,531	$ (578,179)

	Year Ended March 31, 2017	Year Ended March 31, 2016	Increase/(Decrease) Dollars
Compensated absences	$ 239,742	$ 90,806	$ 148,936
Leases payable	-	74,729	(74,729)
Notes payable	350,000	350,000	-
Other postemployment benefits	178,823	266,457	(87,634)
Net pension liability	1,210,966	203,349	1,007,617
Total	$ 1,979,531	$ 985,341	$ 994,190

Economic Factors and Next Year's Budgets and Rates

The Authority estimated the subsidy to be reduced by approximately 4–8 percent in 2019 due to proration by HUD to balance the federal budget.

The Authority has long recognized that, although our mission is to provide safe, affordable housing, a strong component of that success is the provision and or coordination of social services to help our residents achieve self-sufficiency and economic independence. The Grants Management area continues to seek funding to support the Authority's programs that meet these goals.

Most of the Authority's funding has typically come from the federal government, particularly from HUD. Over the coming year, the Grants Management area will attempt to identify, and will submit grant applications to, a more diversified group of funding sources. The following are some areas which the Authority is involved:

The Highland Avenue area is seeing the most revitalization and development than in any other area in the City of Niagara Falls, New York (the "City").

The Authority's HOPE VI revitalization project brought an $80 million transformation to the City. The grant leveraged approximately $60 million in funding. The grant allowed for the demolishing of 134 obsolete units in the Center Court housing community and construction of 215 modern units that offer a mix of low, moderate and income rental units to strengthen the overall social and economic foundation of the community and meet the growing needs of individuals and families who want to live and work in the City.

Cornerstone Village

The Authority was a co-development partner of the Unity Park Redevelopment initiative. Constructed in the 1970's, Unity Park was a housing community consisting of 198 units of publicly subsidized Section 236 housing that has been vacant and boarded up since June 2004. Working closely with prior Unity Park residents and City officials, the Authority and Norstar Development USA, L.P. created a redevelopment plan that involved the demolition of the existing 198 units and the construction of 40 new modern units.

The total cost of this project was $9,740,000.

Mt. St. Mary's Neighborhood Health Center

In April 2010, a ground-breaking ceremony was held to mark the grand opening of the highly anticipated Mount St. Mary's Neighborhood Health Center. The Center, which was previously housed in the Authority's Doris W. Jones Family Resource Building, simply outgrew the space. A partnership with the Authority enabled St. Mary's to construct a new $1.6 million facility adjacent to the Resource Building. The new facility enabled St. Mary's to provide expanded services such as dental care, podiatry, and educational workshops to get the community involved in their own care.

Cornerstone Townhomes

Demolition began in February 2014 on 204 apartments. The $16-million revitalization included construction of 84 new townhouse apartments, as well as new property management offices and meeting spaces.

Successfully Transitionally Youth to Adolescence (STYA)

Through a grant through the New York State Department of Health, the Niagara Falls Housing Authority provides youth ages 8 - 12 with a variety of positive skills in order to avoid or minimize negative behaviors. The program helps youth plan and create productive futures by combining daily academic enrichment, weekly exposure to family life and abstinence education, community service activities and ongoing exposure to sports and creative activities. The program is implemented as both an afterschool program and summer program for youth with a monthly component for their adult caregivers. The goal of the program is to reduce early sexual behavior as well as improve protective factors such as academic performance, and increased physical activity, and a decreased risk behaviors such as truancy, substance abuse, and violence. This grant is for a period of five (5) years, totaling $851,180 and will end in the 2019 fiscal year.

Youth Empowerment Program

The Authority applied for funding from the Office of the Assistant Secretary of Health for the Youth Empowerment Program. The Youth Empowerment Program seeks to address social issues facing at-risk minority males (ages 14 - 18) that currently impede their growth and success. Using a multi-component, whole person approach, a continuum of services will be provided for a period of three years. The goal of the program is to promote a multitude of positive skills and changes in order to avoid or minimize negative behaviors. Through opportunities for enrichment, individuals will gain experiences and life skills that will assist them in making healthy choices and increase their chances for positive future life outcomes.

Universal Pre-Kindergarten Programs

The Authority in collaboration with the Niagara Falls City School District received a grant in August 2014 ($289,131) to utilize funds from the Statewide Universal Pre-K initiative to expand its Universal Pre-Kindergarten program by two classrooms, increasing the number of spaces available by 40, to 500. The expansion eliminates the 37-student waiting list. Children targeted for outreach to fill the slots will include children from economically disadvantaged neighborhoods, those who are eligible for free or reduced lunch, and those with other risk factors that create barriers to learning, such as ELL status or disability. The Niagara Falls Housing Authority will oversee the programs housed at the Authority's Doris W. Jones Family Resource Building and Abate Elementary School.

One Region

The Authority is a partner in the One Region Forward initiative. One Region Forward is a broad-based, collaborative effort to promote more sustainable forms of development in Erie and Niagara counties - the Buffalo Niagara Region - in land use, transportation, housing, energy and climate, access to food, and more. It combines research and public engagement with planning and action to help us meet the combined economic, environmental, and social challenges of the 21st century.

The primary deliverable of One Region Forward will be a Regional Plan for Sustainable Development, a federally recognized document that will give our region priority status for funding opportunities today and into the future. This will serve as a practical roadmap for improving mobility, promoting more efficient land use patterns, strengthening our basic infrastructure, growing a 21st century economy, ensuring broad access to healthy food, protecting housing and neighborhoods, and mounting our region's response to the challenge of global climate change.

But this is more than just a plan. One Region Forward will push implementation by bringing together key factors to advance community priority projects that will produce lasting benefits for both our economy and quality of life. It will prepare our civic and business leaders to make smart decisions by providing online tools and technical assistance to show how sustainability can work here. Most importantly, this effort is about empowering the people of Buffalo Niagara to be a part of the process in driving positive, sustainable change for their communities.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Patricia Barone (the Authority's Interim Executive Director) in the Authority's Administration Building at 744 10th Street, Niagara Falls, New York 14301.

BASIC FINANCIAL STATEMENTS

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NIAGARA FALLS HOUSING AUTHORITY
Statements of Net Position
March 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,243,333	$ 7,689,151
Restricted cash and cash equivalents	191,537	192,765
Receivables, net of allowance for doubtful accounts	1,186,156	999,007
Prepaid expenses	116,879	137,010
Inventory, less allowance for obsolescence	122,251	145,190
Total current assets	10,860,156	9,163,123
Noncurrent assets:		
Notes receivable	27,539,655	27,539,655
Capital assets not being depreciated	1,358,897	2,249,795
Capital assets, being depreciatied	10,524,618	10,701,052
Total noncurrent assets	39,423,170	40,490,502
Total assets	50,283,326	49,653,625
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources—pensions	803,608	1,466,529
Total deferred outflows of resources	803,608	1,466,529
LIABILITIES		
Current liabilities:		
Accounts payable	366,356	225,721
Tenant security deposits	191,537	192,765
Unearned revenue	22,104	18,503
Other current liabilities	245,932	153,946
Compensated absences	23,543	23,975
Total current liabilities	849,472	614,910
Noncurrent liabilities:		
Compensated absences	211,896	215,767
Notes payable	350,000	350,000
Other postemployment benefits liability	165,884	178,823
Net pension liability	650,029	1,210,966
Total noncurrent liabilities	1,377,809	1,955,556
Total liabilities	2,227,281	2,570,466
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources—pensions	124,635	150,894
Total deferred inflows of resources	124,635	150,894
NET POSITION		
Net investment in capital assets	11,883,515	12,950,847
Unrestricted	36,851,503	35,447,947
Total net position	$ 48,735,018	$ 48,398,794

The notes to the financial statements are an integral part of this statement.

NIAGARA FALLS HOUSING AUTHORITY
Statements of Revenue, Expenses and Changes in Net Position
Years Ended March 31, 2018 and 2017

	2018	2017
Operating revenues:		
Tenant rental revenue	$ 2,227,334	$ 2,313,996
Program grants/subsidies	4,807,011	5,403,216
Other income	2,321,378	475,375
Total operating revenues	9,355,723	8,192,587
Operating expenses:		
Administrative	3,044,291	3,016,001
Tenant services	863,925	1,262,945
Utilities	929,147	843,096
Maintenance and operation	2,266,680	1,682,401
General expenses	887,305	1,424,886
Depreciation	1,364,177	1,363,006
Total operating expenses	9,355,525	9,592,335
Operating income (loss)	198	(1,399,748)
Nonoperating revenues (expenses):		
Loss on sale	(34,592)	-
Interest income	83,623	83,695
Total nonoperating revenues (expenses)	49,031	83,695
Net income before capital contributions	49,229	(1,316,053)
Capital contributions	286,995	340,907
Change in net position	336,224	(975,146)
Net position—beginning	48,398,794	49,373,940
Net position—ending	$ 48,735,018	$ 48,398,794

The notes to the financial statements are an integral part of this statement.

NIAGARA FALLS HOUSING AUTHORITY
Statements of Cash Flows
Years Ended March 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Tenant rental revenue	$ 2,230,935	$ 2,331,998
Program revenue and subsidies	4,619,862	5,263,411
Other income	2,321,378	264,375
Administrative expenses	(2,893,822)	(2,756,867)
Tenant service expenses	(863,925)	(1,262,945)
Utility expenses	(788,512)	(852,058)
Maintenance and operation expenses	(2,243,741)	(1,658,184)
General expenses	(867,174)	(1,486,423)
Net cash provided by (used for) operating activities	1,515,001	(156,693)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	83,623	83,695
Net cash provided by investing activities	83,623	83,695
CASH FLOWS FROM NONCAPITAL INVESTING ACTIVITIES		
Tenants' security deposits paid	(1,228)	(1,730)
Net cash (used for) investing activities	(1,228)	(1,730)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	286,995	340,907
Purchase of capital assets	(296,845)	(460,491)
Loss on sale of assets	(34,592)	-
Payment of long-term lease	-	(74,729)
Interest paid	-	(1,041)
Net cash (used for) capital and related financing activities	(44,442)	(195,354)
Net increase (decrease) in cash and cash equivalents	1,552,954	(270,082)
Cash and cash equivalents—beginning	7,881,916	8,151,998
Cash and cash equivalents—ending	$ 9,434,870	$ 7,881,916

(continued)

NIAGARA FALLS HOUSING AUTHORITY
Statements of Cash Flows
Years Ended March 31, 2018 and 2017

(concluded)

	2018	2017
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities		
Operating income (loss)	$ 198	$ (1,399,748)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	1,364,177	1,363,006
Changes in:		
(Increase) in accounts receivable	(187,149)	(139,805)
Decrease (increase) in prepaid expenses	20,131	(61,537)
Decrease in inventory	22,939	24,217
(Increase) in note receivable	-	(211,000)
Decrease (increase) in deferred outflows of resources	662,921	(969,236)
Increase (decrease) in accounts payable	140,635	(8,962)
Increase in unearned revenue	3,601	18,002
Increase in other current liabilities	91,986	8,557
(Decrease) increase in compensated absences	(4,303)	148,936
(Decrease) in other postemployment benefit obligation	(12,939)	(24,526)
(Decrease) increase in net pension liability	(560,937)	944,509
(Decrease) increase in deferred inflows of resources	(26,259)	150,894
Net cash provided by (used for) operating activities	1,515,001	(156,693)
Cash paid for interest	$ -	$ 1,249

The notes to the financial statements are an integral part of this statement.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Accounting*—**The accompanying financial statements of the Authority have been prepared in conformity with accounting principles generally accepted as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Financial Reporting Entity—The Niagara Falls Housing Authority (the "Authority") was created to meet the needs of the area. The Authority includes all of the programs relevant to the operation of the Authority, including Federal Public Housing Low-Rent and Comprehensive Grant Programs, Capital Grants, and Service Coordinator Programs, and its component unit, People & Possibilities, Inc.

The financial statements consist of the activities of the housing programs subsidized by the U.S. Department of Housing and Urban Development ("HUD"). A summary of each of these programs and the related contracts with HUD is provided below:

- ***Annual Contributions Contract NY-444***

  Low Rent Public Housing - This type of housing consists of apartments and single-family dwellings owned and operated by the Authority. Funding is provided by tenant rent payments and subsidies provided by HUD.

  Modernization - Substantially all additions to land, buildings, and equipment are accomplished through the capital fund program. This program adds to, replaces or materially upgrades deteriorated portions of the Authority's housing units. Funding is provided through programs established by HUD.

- ***Hope IV*—**The Authority entered into a 54 month contract with HUD to demolish 134 units comprising Center Court. The Authority is then to construct 282 units of mixed-income rental and homeownership units, on and off-site, implement a Community Self Sufficiency Plan and then lease and sell the new dwelling units.

The financial reporting entity includes organizations, functions, and activities over which appointed officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

The accompanying financial statements present the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units are, in substance, part of the primary entity's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the entity.

Blended Component Units—The blended component units, presented on the following page, are legally separate entities from the Authority, but are, in substance, part of the Authority's operations and therefore data from the units are combined with data of the Authority.

- ***People and Possibilities***—The Authority formed People & Possibilities, Inc., as a not-for-profit corporation which was incorporated on December 11, 2001, under the New York State Not-for-Profit Corporation Law and is exempt from taxation under Section 501 (c)(3) of the Internal Revenue Code. The charitable services include Child Learning Center and Pre-K Daycare Center programs. Income and expenses from these activities are included in other income in the financial statements as a blended component unit.

- ***Center Court NF I Corp.***—The Authority formed Center Court NF I Corp. which is an administrative member in Center Court I, LLC. The entity was created to participate in the mixed finance transactions of Center Court I. Income and expenses from these activities are included in the Authority's financial statements, during the years ending March 31, 2018 and 2017 there was no activity.

The activities of the Authority are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Transactions which are capital, financing or investing related are reported as nonoperating revenues. All expenses related to operating the system are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

Cash and cash equivalents—The Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Authority reports no investments at March 31, 2018; however, it is the Authority's policy to report investments as fair value in accordance with GASB.

Restricted cash and cash equivalents—Represents cash and cash equivalents held by the Authority for tenant security deposits.

Receivables—Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Prepaid expenses—These consist primarily of certain payments reflecting costs applicable to future accounting periods.

Inventory—Inventories of supplies are stated at the lower of cost or market. Cost is determined by the first-in first-out method.

Capital Assets—Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated equipment. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenses for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of revenue, expenses and changes in net assets. The estimated useful lives for furniture, equipment and machinery are 5 to 7 years and 15 to 40 years for buildings.

Long-lived assets—The Authority reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Authority compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. At March 31, 2018 and 2017, no impairment in value has been recognized.

Deferred Outflows/Inflows of Resources**—**In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. This item is related to pensions reported on the statement of financial position. This represents the effect of the net change in the Authority's proportion of the collective net pension liability, the difference during the measurement period between the Authority's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension system made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item which qualifies for reporting in this category. This item represents the effect of the net change in the Authority's proportion of the collective net pension liability and the difference during the measurement periods between the Authority's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the statement of net position.

Unearned revenue**—**Grant awards accounted for as exchange transactions are recorded as revenue when expenses have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statements of net position as unearned revenue. Tenant rental revenue is recognized when services are rendered. When applicable, rents received in advance are recorded as unearned revenue.

Revenues and Expenses

Expense allocation—The costs of providing programs and other activities have been adequately detailed in the statement of revenue, expenses and changes in net position. Allocation of management and general expenses among program and supporting services is not considered significant to the operations of the Authority, therefore, no such allocation has been provided. All expenses incurred by the Authority are related to the Authority's operations.

Litigation losses—The Authority recognizes estimated losses related to litigation in the period in which the occasion giving rise to the loss occurred, the loss is probable and the loss is reasonably estimable.

Income Taxes—The Authority is not subject to federal or state income taxes, nor is it required to file federal or state income tax returns, therefore, no provision for income taxes is reflected in the financial statements.

People & Possibilities, Inc., is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is reflected in the financial statements. People & Possibilities, Inc. has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. People & Possibilities, Inc. presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that People & Possibilities, Inc. has taken no uncertain tax positions that require adjustment in the financial statements. U.S. Forms 990 filed by People & Possibilities, Inc. are subject to examination by tax authorities. However, there are currently no audits in progress. People & Possibilities, Inc. is no longer subject to tax examination for the years ended March 31, 2011, and prior. All applicable tax forms for People & Possibilities, Inc. have been filed and accepted by the Internal Revenue Service through the year ended March 31, 2017.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended March 31, 2018, the Authority implemented GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ended March 31, 2018. GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB Statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement Nos. 74, 80, 81, and 82 did not have a material impact on the Authority's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Authority has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; and No. 85, *Omnibus 2017*; No. 86, *Certain Debt Extinguishment Issues*, effective for the year ending March 31, 2019, No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities;* No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61;* effective for the year ending March 31, 2020, No. 87, *Leases*; and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period effective* for the year ending March 31, 2021. The Authority is, therefore, unable to disclose the impact that adopting GASB Statements No. 75, 83, 84, 85, 86, 87, 88, 89 and 90 will have on its financial position and results of operations.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

At March 31, 2018 and 2017, the Authority's primary government's financial institution cash account balances included checking accounts, money market funds, and certificates of deposits. Deposits in bank accounts and investments in the Authority and its component unit's name in financial institutions are covered by federal depository insurance and other collateral which has been assigned to funds over the FDIC coverage at March 31, 2018 and 2017.

Cash and equivalents at March 31, 2018 and 2017 consist of the following:

	March 31, 2018	
	Bank Amount	Carrying Amount
FDIC insured	$ 996,637	$ 998,151
Uninsured:		
Collateral held by pledging bank's agent in Authority's name	7,920,073	7,851,657
People and Possibilties	585,062	585,062
Total	$ 9,501,772	$ 9,434,870

	March 31, 2017	
	Bank Amount	Carrying Amount
FDIC insured	$ 996,971	$ 996,882
Uninsured:		
Collateral held by pledging bank's agent in Authority's name	6,537,556	6,360,483
People and Possibilties	524,551	524,551
Total	$ 8,059,078	$ 7,881,916

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of March 31, 2018 and 2017, the Authority's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the Authority's name, with the exception of the deposits of People and Possibilities, which are not required to be collateralized.

Restricted Cash and Cash Equivalents—The Authority reports monies related to tenant security deposits held as restricted cash and cash equivalents. At March 31, 2018 and 2017, this amounted to $191,537 and $192,765, respectively.

Investments—The Authority had no investments at March 31, 2018 or 2017.

Interest Rate Risk—In accordance with its investment policy, the Authority manages exposure by limiting the investments to low risk type investments governed by New York State statute.

3. ACCOUNTS RECEIVABLE

The Authority has the following accounts receivable at March 31, 2018:

	Accounts Receivable	Allowance for Doubtful Accounts	Total
Tenant accounts receivable	$ 216,369	$ (81,563)	$ 134,806
Interest receivable on notes	459,021	-	459,021
Developer fees receivable	61,297	-	61,297
Grants receivable	528,352	-	528,352
Other receivables	2,680	-	2,680
Total	$ 1,267,719	$ (81,563)	$ 1,186,156

The Authority has the following accounts receivable at March 31, 2017:

	Accounts Receivable	Allowance for Doubtful Accounts	Total
Tenant accounts receivable	$ 89,554	$ (16,947)	$ 72,607
Interest receivable on notes	388,010	-	388,010
Developer fees receivable	61,297	-	61,297
Grants receivable	465,354	-	465,354
Other receivables	11,739	-	11,739
Total	$ 1,015,954	$ (16,947)	$ 999,007

4. NOTES RECEIVABLE

Notes receivable at March 31, 2018 and 2017 represent funds advanced to Center Court I, LLC to finance the Center Court HOPE VI Revitalization and Cornerstone Townhomes, LLC as presented below:

	2018	2017
Bond receivable - Niagara County Industrial Development Agency (NCIDA). Repayment of principal and interest due August 1, 2043. Interest accruing at 3.94% per annum with repayment of principal pursuant to the terms of lease agreement and assignment of rents with Center Court I, LLC. The note is secured by the property of Center Court I, LLC.	$ 1,367,740	$ 1,367,740
Note due and payable upon completion of the project, with interest at 0.1%. Center Court I, LLC shall make annual payments from cash flows pursuant to the terms of the regulatory and operating agreement. Any remaining principal and interest will be due upon the maturity date of November 30, 2047. The note is secured by the property of Center Court I, LLC.	14,360,063	14,360,063
Note due and payable upon completion of the Project, with interest at 0.1%. Center Court II, LLC shall make annual payments from cash flows pursuant to the terms of the regulatory and operating agreement. Any remaining principal and interest will be due upon the maturity date of November 30, 2047. The note is secured by the property of Center Court II, LLC.	11,250,852	11,250,852
Demand note receivable bearing interest at 1% per annum with a balloon payment of principal and interest due in July 2025. The note is secured by the property of Center Court I, LLC.	350,000	350,000
Demand note receivable bearing interest at 1% per annum with a balloon payment of principal and interest due in December 27, 2046. The note is secured by the property of Cornerstone Townhomes LLC.	211,000	211,000
Total	$ 27,539,655	$ 27,539,655

Center Court I, LLC, Center Court II, LLC, and Cornerstone Townhomes LLC will make annual payments from cash flow pursuant to the terms of the regulatory and operating agreement. Any remaining principal and interest will be due upon the maturity date.

The Authority reports interest receivable on the notes receivable that is expected to be collected. At March 31, 2018, the Authority reported interest receivable on notes of $459,021.

5. CAPITAL ASSETS

Capital assets activity for the years ended March 31, 2018 and March 31, 2017 is presented below:

	Balance 4/1/2017	Increases	Decreases	Balance 3/31/2018
Capital assets, not being depreciated				
Land	$ 773,409	$ -	$ -	$ 773,409
Construction in progress	1,476,386	313,870	(1,204,768)	585,488
Total capital assets, not being depreciated	2,249,795	313,870	(1,204,768)	1,358,897
Capital assets, being depreciated:				
Buildings	48,881,190	1,210,017	(141,684)	49,949,523
Equipment	2,129,331	31,150	(1,631)	2,158,850
Total capital assets, being depreciated	51,010,521	1,241,167	(143,315)	52,108,373
Less accumulated depreciation	(40,309,469)	(1,364,177)	89,891	(41,583,755)
Total capital assets, being depreciated, net	10,701,052	(123,010)	(53,424)	10,524,618
Total capital assets, net	$ 12,950,847	$ 190,860	$ (1,258,192)	$ 11,883,515

	Balance 4/1/2016	Increases	Decreases	Balance 3/31/2017
Capital assets, not being depreciated				
Land	$ 773,409	$ -	$ -	$ 773,409
Construction in progress	1,135,479	340,907	-	1,476,386
Total capital assets, not being depreciated	1,908,888	340,907	-	2,249,795
Capital assets, being depreciated:				
Buildings	48,866,199	14,991	-	48,881,190
Equipment	2,024,738	104,593	-	2,129,331
Total capital assets, being depreciated	50,890,937	119,584	-	51,010,521
Less accumulated depreciation	(38,946,463)	(1,363,006)	-	(40,309,469)
Total capital assets, being depreciated, net	11,944,474	(1,243,422)	-	10,701,052
Total capital assets, net	$ 13,853,362	$ (902,515)	$ -	$ 12,950,847

6. TENANT SECURITY DEPOSITS

The Authority collects a security deposit from each tenant upon signing a lease. Such deposits are maintained in a separate cash account. The liability for security deposits at March 31, 2018 and 2017 amounted to $191,537 and $192,765, respectively.

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance, general liability, fire and extended coverage, fidelity bond, automobile, and Director and Officers liability. Settled claims resulting from these risks have not exceeded commercial insurances coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.

The Authority provides unemployment insurance through direct billings from the New York State Unemployment Insurance Fund. For the years ended March 31, 2018 and 2017, the Authority paid $44,875 and $46,490, respectively, of benefits for unemployment claims. At March 31, 2018 and 2017, the Authority did not consider any liabilities for unpaid, unasserted claims.

8. PENSION PLAN

Plan Descriptions and Benefits Provided

Employees' Retirement System ("ERS")—The Authority participates in the ERS (the "System"). The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The City also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The Systems are included in the State's financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us /retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory, except for employees who joined after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At March 31, 2018, the City reported the liability presented on the following page for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total net pension liability to the measurement date. The Authority's proportion of the net pension liability was based on projections of the Authority's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Authority.

	ERS
Measurement date	March 31, 2017
Net pension liability	$ 650,029
Authority's's portion of the Plan's total net pension liability	0.0069180%

For the year ended March 31, 2018, the City recognized pension expenses of $329,183 for ERS. At March 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 16,289	$ 98,710
Changes of assumptions	222,073	-
Net difference between projected and actual earnings on pension plan investments	129,837	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	110,067	25,925
City contributions subsequent to the measurement date	325,342	-
Total	$ 803,608	$ 124,635

Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending March 31,	
2019	$ 151,751
2020	151,751
2021	131,322
2022	(81,193)

Actuarial Assumptions—The total pension liabilities as of the measurement date were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the actuarial assumptions presented on the following page.

Measurement date	March 31, 2017
Actuarial valuation date	April 1, 2016
Interest rate	7.00%
Salary scale	3.80%
Decrement tables	April 1, 2010- March 31, 2015
Inflation rate	2.5%
Cost-of-living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term 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 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 each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	Target Allocation	Long-Term Expected Real Rate of Return
Measurement date	March 31, 2017	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to the Discount Rate Assumption—The chart below presents the City's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	$ 2,076,056	$ 650,029	$ (555,679)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands) ERS
Valuation date	April 1, 2016
Employers' total pension liability	$ 177,400,586
Plan fiduciary net position	168,004,363
Employers' net pension liability	$ 9,396,223
System fiduciary net position as a percentage of total pension liabilitiy	94.7%

9. OTHER POSTEMPLOYMENT BENEFITS ("OPEB")

Plan Description—The Authority provides postemployment health insurance coverage to its retired employees in accordance with the provisions of the employment contract negotiated between the Authority and its employee groups. Employees become eligible for benefits based on original hire date, completed years of service and accumulated sick days. There are 21 retired employees who have health insurance premiums paid by the Authority. The premiums amounted to $249,644 for the year ended March 31, 2018. The net OPEB obligation amounted to $165,884 and $178,823 at March 31, 2018 and 2017, respectively. The underfunded actuarial accrued liability amounted to $5,235,615 and $3,909,215 at March 31, 2018 and 2017, respectively.

The table on the following page shows the component of the Authority's annual OPEB cost for the years ended March 31, 2018, 2017 and 2016, the amount actually contributed to the plan, and changes in the net OPEB obligation.

	Year Ended March 31,		
	2018	2017	2016
Annual required contribution	$ 233,298	$ 184,932	$ 118,123
Interest on net OPEB obligation	3,407	3,407	3,208
Adjustment to annual required contribution	-	-	-
Annual OPEB costs (expense)	236,705	188,339	121,331
Contributions made	(249,644)	(212,865)	(174,566)
Increase in net OPEB obligation	(12,939)	(24,526)	(53,235)
Net OPEB obligation—beginning	178,823	203,349	256,584
Net OPEB obligation—ending	$ 165,884	$ 178,823	$ 203,349
Percentage of ARC Contributed	107.0%	115.1%	147.8%

Funding Status and Funding Progress—As of March 31, 2018, calculations were based on plan data and financial data as of March 31, 2018. Since there were no assets, the unfunded actuarial accrued liability for benefits was $5,235,615. The covered payroll (annual payroll of active employees covered by the plan) was $5,235,615.

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 health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions 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 Authority's schedule of contributions for the most recent three years is shown below:

Year Ended March 31,	Annual OPEB Cost	Contributions Made	Percentage Contribution
2018	$ 236,705	$ 249,644	105.5%
2017	188,339	212,865	113.0%
2016	121,331	174,566	143.9%

***Actuarial Methods and Assumptions*—**Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility. The plan has fewer than 100 participants and uses the alternative valuation method.

The method used is the Entry Age Normal Method. The plan is funded on a pay-as-you-go basis. All active and retired employees who are participants in the medical plan as of the date the valuation was performed are included in the liability. The amortization method used is the level percent of pay, open group over thirty years, with 21 years remaining. The claims rates used are a combination of community rated and experience rated plans. For community rated plans premium rates are used as a proxy for claims, without age adjustment. The healthcare cost trend rate used is 4.8%.

10. LONG-TERM LIABILITIES

The Authority's outstanding long-term liabilities include compensated absences, lease payable, notes payable, other postemployment benefits ("OPEB") and net pension liability.

A summary of changes in the Authority's long-term liabilities at March 31, 2018, 2017, and 2016 are presented below:

	Balance 4/1/2017	Additions	Reductions	Balance 3/30/2018
Compensated absences	$ 239,742	$ 37,551	$ 41,854	$ 235,439
Notes payable	350,000	-	-	350,000
Other postemployment benefits	178,823	236,705	249,644	165,884
Net pension liability*	1,210,966	-	560,937	650,029
Total	$ 1,979,531	$ 274,256.0	$ 852,435	$ 1,401,352

	Balance 4/1/2016	Additions	Reductions	Balance 3/30/2017
Compensated absences	$ 90,806	$ 181,322	$ 32,386	$ 239,742
Leases payable	74,729	-	74,729	-
Notes payable	350,000	-	-	350,000
Other postemployment benefits	203,349	188,339	212,865	178,823
Net pension liability*	266,457	944,509	-	1,210,966
Total	$ 985,341	$ 1,314,170	$ 319,980	$ 1,979,531

(*Additions/reductions to the net pension liability are presented net of additions/reductions.)

Compensated Absences—The Authority reports a liability for compensated absences, $235,439 at March 31, 2018. This liability represents amounts relating to accumulated unpaid sick time and vacation pay, including payroll taxes. Payments of these liabilities are dependent upon many factors (including retirement, termination, or employees leaving) and, therefore, timing of future payments of such are not readily determinable.

Leases Payable—In August 2004, the Authority entered into an Energy Performance Contract Municipal Lease/Purchase Agreement. The Authority borrowed $823,150 for twelve years, with annual installments including interest at 1.67%. The lease was paid in full during the year ended March 31, 2017.

Note Payable—Notes payable of $350,000 represent a note with the Federal Home Loan Bank, subject to the terms of the Affordable Housing Program ("AHP") recapture agreement which requires the Authority to comply with certain affordability requirements through July 2025. Compliance with the affordability requirements will result in the amount being deemed repaid by the Authority otherwise non-compliance will result in the entire amount due.

Other Postemployment Benefits—As explained in Note 8, the Authority provides health insurance coverage for certain retirees. The Authority's annual other postemployment benefit ("OPEB") cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The long-term OPEB liability is estimated to be $165,884 at March 31, 2018.

***Net Pension Liability*—**The Authority reports a liability for its proportionate share of the net pension liability for the Employee Retirement System. The net pension liability is estimated to be $650,029. Refer to Note 7 for additional information related to the Authority's net pension liability.

11. NET POSITION

The Authority's financial statements utilize a net position presentation. Net position is categorized into net investment in capital assets, restricted and unrestricted.

Net investment in capital assets—This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. At March 31, 2018, the Authority's net investment in capital assets totals $11,883,515.

Restricted net position—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or entities and restrictions imposed by law through constitutional provisions or enabling legislation. At March 31, 2018, the Authority reports no restricted net position.

***Unrestricted net position*—**This category represents the amount of net position the Authority has not restricted for any project or other purpose. The Authority reports unrestricted net position of $36,851,380 at March 31, 2018.

12. CONTINGINCIES AND COMMITMENTS

***Contingencies*—**The Authority has entered into construction contracts for modernization of projects that are funded entirely by the Federal Capital Grant programs. The Authority has pending litigation claims for which management has indicated that liabilities, if any, will be fully covered by their insurance coverage. The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years.

***Annual Contribution Contracts*—**Annual contribution contracts provide that HUD shall have the authority to audit and examine the records of public housing authorities. Accordingly, final determination of the Authority's financing and contribution status for the annual contribution contracts is the responsibility of HUD based upon financial reports submitted by the Authority.

Contingent Liability—As described in Note 10, the Federal Home Loan Bank of New York (FHLB) has provided $350,000 to the Authority as a pass-through for Unity Park LLC (the Project) to construct and operate the residential townhouse-style complex of 40 units to be rented to eligible persons. The mortgage is for fifteen years at no interest, with no scheduled payments, and will be forgiven at the end of the term (November 20, 2048). If the project does not comply with the terms of the regulatory agreement, the amount provided will be considered to be in default and the original amount provided shall be immediately due and payable.

***Concentrations*—**The Authority's operations are concentrated in the low-income real estate market in Niagara Falls, New York. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations and are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 9, 2018, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

REQUIRED SUPPLEMENTARY INFORMATION

NIAGARA FALLS HOUSING AUTHORITY
Schedule of Funding Progress—Other Postemployment Benefits Plan ("OPEB")
Year Ended March 31, 2018

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
March 31, 2018	$ -	$ 5,235,615	$ 5,235,615	0%	$ 2,533,712	206.6%
March 31, 2017	-	3,909,215	3,909,215	0%	2,199,470	177.7%
March 31, 2016	-	3,692,202	3,692,202	0%	2,520,179	146.5%

NIAGARA FALLS HOUSING AUTHORITY
Schedule of the Authority's Proportionate Share of the Net Pension Liability—Employees' Retirement System
Last Four Fiscal Years*

	Year Ended March 31,			
	2018	2017	2016	2015
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Authority's proportion of the net pension liability	0.6918000%	0.0075448%	0.7887400%	0.0078874%
Authority's proportionate share of the net pension liability	$ 650,029	$ 1,210,967	$ 266,457	$ 356,422
Authority's covered payroll	2,206,607	2,150,690	2,480,168	2,520,179
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	29.5%	56.3%	10.7%	14.1%
Plan fiduciary net position as a percentage of the total net pension liability	94.7%	90.7%	97.9%	97.2%

*Information prior to the year ended March 31, 2015 is not available.

NIAGARA FALLS HOUSING AUTHORITY
Schedule of Authority's Contributions—
Employees' Retirement System
Last Four Fiscal Years*

	Year Ended March 31,			
	2018	2017	2016	2015
Contractually required contribution	$ 325,341	$ 329,183	$ 408,841	$ 441,283
Contributions in relation to the contractually required contribution	(325,341)	(329,183)	(408,841)	(441,283)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 2,206,607	$ 2,150,690	$ 2,480,168	$ 2,520,179
Contributions as a percentage of covered payroll	14.7%	15.3%	16.5%	17.5%

*Information prior to the year ended March 31, 2015 is not available.

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SUPPLEMENTARY INFORMATION

NIAGARA FALLS HOUSING AUTHORITY
Statement of Public Housing Capital Funds
Advanced with Costs – Uncompleted (2014)
Year Ended March 31, 2018

	Public Housing Capital Fund Program NY06P011501-14
Funds approved	$ 1,106,432
Funds expended (including retention)	1,029,743
Excess of funds approved	$ 76,689
Funds advanced	$ 873,394
Funds expended (including retention)	1,029,743
Deficit of funds advanced	$ (156,349)

NIAGARA FALLS HOUSING AUTHORITY
Statement of Public Housing Capital Funds
Advanced with Costs – Uncompleted (2015)
Year Ended March 31, 2018

	Public Housing Capital Fund Program NY06P011501-15
Funds approved	$ 1,182,423
Funds expended (including retention)	606,417
Excess of funds approved	$ 576,006
Funds advanced	$ 589,185
Funds expended (including retention)	606,417
Deficit of funds advanced	$ (17,232)

NIAGARA FALLS HOUSING AUTHORITY
Statement of Public Housing Capital Funds
Advanced with Costs – Uncompleted (2016)
Year Ended March 31, 2018

	Public Housing Capital Fund Program NY06P011501-16
Funds approved	$ 1,199,815
Funds expended (including retention)	287,189
Excess of funds approved	$ 912,626
Funds advanced	$ 253,551
Funds expended (including retention)	287,189
Deficit of funds advanced	$ (33,638)

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Federal Awards Information

NIAGARA FALLS HOUSING AUTHORITY
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2018

Federal Grantor/Pass-through Grantor Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity's Identifying Number (1c)	Passed Through to Sub-Recipients	Federal Expenditures (1d)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Program:				
Public and Indian Housing - Operating Subsidy	14.850	NY-444	$ -	$ 3,657,950
Capital Fund Program:				
Public Housing Capital Fund Program	14.872	NY06P011501-14	-	298,305
Public Housing Capital Fund Program	14.872	NY06P011501-15	-	415,346
Public Housing Capital Fund Program	14.872	NY06P011501-16	-	287,189
Total Capital Fund Program			-	1,000,840
Community Development Block Grant	14.219	n/a	-	57,516
Resident Opportunities and Self Sufficiency	14.870	NY011RPS031A014	-	51,337
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			-	4,767,643
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			$ -	$ 4,767,643

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Niagara Falls Housing Authority (the "Authority") under programs of the federal government for the year ended March 31, 2018. The information in this Schedule is presented in accordance with the 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"). Because the Schedule presents only a select portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority. The following notes were identified on the Schedule:

a) Includes all federal award programs of the Authority.

b) Source: Catalog of Federal Domestic Assistance.

c) Pass-through entity identifying numbers are presented where available.

d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.

e) A reconciliation to the basic financial statements is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified 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. Pass-through entity identifying numbers are presented where available. The Authority has not elected to use the 10 percent de minimus indirect cost rate as allowable under the Uniform Guidance.

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Certified Public Accountants

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
Niagara Falls Housing Authority

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 business-type activities of the Niagara Falls Housing Authority (the "Authority") as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 than severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting 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 Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Drescher & Malecki LLP

October 9, 2018

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Certified Public Accountants

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
Niagara Falls Housing Authority

Report on Compliance for Each Major Federal Program

We have audited the Niagara Falls Housing Authority's (the "Authority") 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 Authority's major federal programs for the year ended March 31, 2018. The 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

The Authority's management is responsible for compliance with the 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 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 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 Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 March 31, 2018.

Report on Internal Control Over Compliance

Management of the 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 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 the 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Drescher & Malecki LLP

October 9, 2018

NIAGARA FALLS HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
Year Ended March 31, 2018

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	✓ No
Significant deficiency(ies) identified?	___ Yes	✓ None reported
Noncompliance material to the financial statements noted?	___ Yes	✓ No

Federal Awards:

Internal control over major federal programs:		
Material weakness(es) identified?	___ Yes	✓ No
Significant deficiency(ies) identified?	___ Yes	✓ None reported
Type of report the auditor issued on compliance for major federal programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	✓ No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
14.850	Public and Indian Housing - Operating Subsidy

Dollar threshold used to distinguish between Type A and Type B programs?		$ 750,000
Auditee qualified as low-risk auditee?	✓ Yes	___ No

Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

No findings noted.

ELECTRONICALLY FILED
FINANCIAL DATA SCHEDULE
(APPENDIX A)

Niagara Falls Housing Authority (NY011)
NIAGARA FALLS, NY
Entity Wide Balance Sheet Summary

Appendix A

Submission Type: Audited/Single Audit Fiscal Year End: 03/31/2018

	Project Total	14.219 Community Development Block Grants/Small Cities Program	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	14.866 Revitalization of Severely Distressed Public Housing	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	$6,880,895			$574,529	$1,026,254	$406,757	$125	$8,888,560		$8,888,560
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted							$20,619	$20,619		$20,619
114 Cash - Tenant Security Deposits	$191,978							$191,978		$191,978
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	$7,072,873	$0	$0	$574,529	$1,026,254	$406,757	$20,744	$9,101,157	$0	$9,101,157
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	$159,326	$57,516	$1,083	$345,181			$47,893	$610,999		$610,999
124 Accounts Receivable - Other Government						$40	$1,556	$1,596		$1,596
125 Accounts Receivable - Miscellaneous						$61,297		$61,297		$61,297
126 Accounts Receivable - Tenants	$134,806							$134,806		$134,806
126.1 Allowance for Doubtful Accounts -Tenants	-$81,563							-$81,563		-$81,563
126.2 Allowance for Doubtful Accounts - Other	$0	$0	$0	$0		$0	$0	$0		$0
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery										
128.1 Allowance for Doubtful Accounts - Fraud										
129 Accrued Interest Receivable	$456,688						$2,333	$459,021		$459,021
120 Total Receivables, Net of Allowances for Doubtful Accounts	$669,257	$57,516	$1,083	$345,181	$0	$61,337	$51,782	$1,186,156	$0	$1,186,156
131 Investments - Unrestricted						$333,713		$333,713		$333,713
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	$32,733			$3,221		$549	$80,376	$116,879		$116,879
143 Inventories	$112,492						$9,759	$122,251		$122,251
143.1 Allowance for Obsolete Inventories	$0						$0	$0		$0
144 Inter Program Due From						$1,810,847	$107,301	$1,918,148	-$1,918,148	$0
145 Assets Held for Sale										
150 Total Current Assets	$7,887,355	$57,516	$1,083	$922,931	$1,026,254	$2,613,203	$269,962	$12,778,304	-$1,918,148	$10,860,156
161 Land	$634,348						$139,061	$773,409		$773,409
162 Buildings	$16,456,629						$229,599	$16,686,228		$16,686,228
163 Furniture, Equipment & Machinery - Dwellings	$678,119						$22,726	$700,845		$700,845
164 Furniture, Equipment & Machinery - Administration	$748,700			$7,242			$702,064	$1,458,006		$1,458,006
165 Leasehold Improvements	$29,873,467						$3,389,830	$33,263,297		$33,263,297
166 Accumulated Depreciation	-$38,294,786			-$7,242			-$3,281,729	-$41,583,757		-$41,583,757
167 Construction in Progress	$514,977						$70,510	$585,487		$585,487
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	$10,611,454	$0	$0	$0	$0	$0	$1,272,061	$11,883,515	$0	$11,883,515

171 Notes, Loans and Mortgages Receivable - Non-Current	$26,978,655					$211,000	$350,000	$27,539,655		$27,539,655
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current										
174 Other Assets										
176 Investments in Joint Ventures										
180 Total Non-Current Assets	$37,590,109	$0	$0	$0	$0	$211,000	$1,622,061	$39,423,170	$0	$39,423,170
200 Deferred Outflow of Resources	$464,277						$339,332	$803,609		$803,609
290 Total Assets and Deferred Outflow of Resources	$45,941,741	$57,516	$1,083	$922,931	$1,026,254	$2,824,203	$2,231,355	$53,005,083	-$1,918,148	$51,086,935
311 Bank Overdraft										
312 Accounts Payable <= 90 Days							$366,356	$366,356		$366,356
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	$75,490			$4,807		$1,765	$31,397	$113,459		$113,459
322 Accrued Compensated Absences - Current Portion	$15,865						$7,678	$23,543		$23,543
324 Accrued Contingency Liability										
325 Accrued Interest Payable										
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	$132,473							$132,473		$132,473
341 Tenant Security Deposits	$191,537							$191,537		$191,537
342 Unearned Revenue	$22,104							$22,104		$22,104
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue										
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities										
346 Accrued Liabilities - Other										
347 Inter Program - Due To	$225,865	$57,516	$1,083	$809,586			$824,098	$1,918,148	-$1,918,148	$0
348 Loan Liability - Current										
310 Total Current Liabilities	$663,334	$57,516	$1,083	$814,393	$0	$1,765	$1,229,529	$2,767,620	-$1,918,148	$849,472
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue							$350,000	$350,000		$350,000
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other										
354 Accrued Compensated Absences - Non Current	$142,793						$69,103	$211,896		$211,896
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities	$375,522						$440,391	$815,913		$815,913
350 Total Non-Current Liabilities	$518,315	$0	$0	$0	$0	$0	$859,494	$1,377,809	$0	$1,377,809
300 Total Liabilities	$1,181,649	$57,516	$1,083	$814,393	$0	$1,765	$2,089,023	$4,145,429	-$1,918,148	$2,227,281
400 Deferred Inflow of Resources	$72,002						$52,634	$124,636		$124,636
508.4 Net Investment in Capital Assets	$10,609,454						$1,272,061	$11,881,515		$11,881,515
511.4 Restricted Net Position	$0							$0		$0
512.4 Unrestricted Net Position	$34,078,636	$0	$0	$108,538	$1,026,254	$2,822,438	-$1,182,363	$36,853,503		$36,853,503
513 Total Equity - Net Assets / Position	$44,688,090	$0	$0	$108,538	$1,026,254	$2,822,438	$89,698	$48,735,018	$0	$48,735,018
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$45,941,741	$57,516	$1,083	$922,931	$1,026,254	$2,824,203	$2,231,355	$53,005,083	-$1,918,148	$51,086,935

Niagara Falls Housing Authority (NY011)
NIAGARA FALLS, NY
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 03/31/2018

	Project Total	14.219 Community Development Block Grants/Small Cities Program	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	14.866 Revitalization of Severely Distressed Public Housing	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$2,185,362							$2,185,362		$2,185,362
70400 Tenant Revenue - Other	$41,972							$41,972		$41,972
70500 Total Tenant Revenue	$2,227,334	$0	$0	$0	$0	$0	$0	$2,227,334	$0	$2,227,334
70600 HUD PHA Operating Grants	$4,268,910	$57,516	$51,337				$102,886	$4,480,649		$4,480,649
70610 Capital Grants	$262,774						$24,221	$286,995		$286,995
70710 Management Fee							$460,018	$460,018	-$460,018	$0
70720 Asset Management Fee							$83,880	$83,880	-$83,880	$0
70730 Book Keeping Fee							$60,593	$60,593	-$60,593	$0
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue							$604,491	$604,491	-$604,491	$0
70800 Other Government Grants				$326,362				$326,362		$326,362
71100 Investment Income - Unrestricted	$9				$608	$543	$3,684	$4,844		$4,844
71200 Mortgage Interest Income	$79,500							$79,500		$79,500
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery										
71500 Other Revenue	$471,540	$5,049		$11,713		$1,828,288	$4,788	$2,321,378		$2,321,378
71600 Gain or Loss on Sale of Capital Assets	-$34,592							-$34,592		-$34,592
72000 Investment Income - Restricted										
70000 Total Revenue	$7,275,475	$62,565	$51,337	$338,075	$608	$1,828,831	$740,070	$10,296,961	-$604,491	$9,692,470
91100 Administrative Salaries	$529,459			$167,865		$47,589	$528,858	$1,273,771		$1,273,771
91200 Auditing Fees	$23,182						$5,796	$28,978		$28,978
91300 Management Fee	$460,018							$460,018	-$460,018	$0
91310 Book-keeping Fee	$60,593							$60,593	-$60,593	$0
91400 Advertising and Marketing										
91500 Employee Benefit contributions - Administrative	$286,924			$61,540		$7,259	$277,785	$633,508		$633,508
91600 Office Expenses	$81,148		$82	$45,998		$604	$75,511	$203,343		$203,343
91700 Legal Expense	$153,856			$1,880			$36,305	$192,041		$192,041
91800 Travel	$12,101			$4,730		$470	$2,642	$19,943		$19,943
91810 Allocated Overhead										
91900 Other	$688,319					$4,388		$692,707		$692,707
91000 Total Operating - Administrative	$2,295,600	$0	$82	$282,013	$0	$60,310	$926,897	$3,564,902	-$520,611	$3,044,291

92000 Asset Management Fee	$83,880							$83,880	-$83,880	$0
92100 Tenant Services - Salaries	$487,391		$51,255	$4,202				$542,848		$542,848
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services	$225,001							$225,001		$225,001
92400 Tenant Services - Other	$28,702	$62,565		$4,809				$96,076		$96,076
92500 Total Tenant Services	$741,094	$62,565	$51,255	$9,011	$0	$0	$0	$863,925	$0	$863,925
93100 Water	$265,803						$750	$266,553		$266,553
93200 Electricity	$416,227			$241			$8,600	$425,068		$425,068
93300 Gas	$231,007			$308			$6,211	$237,526		$237,526
93400 Fuel										
93500 Labor										
93600 Sewer										
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense										
93000 Total Utilities	$913,037	$0	$0	$549	$0	$0	$15,561	$929,147	$0	$929,147
94100 Ordinary Maintenance and Operations - Labor	$822,214							$822,214		$822,214
94200 Ordinary Maintenance and Operations - Materials and Other	$320,437			$355			$20,424	$341,216		$341,216
94300 Ordinary Maintenance and Operations Contracts	$598,560			$44,579			$24,508	$667,647		$667,647
94500 Employee Benefit Contributions - Ordinary Maintenance	$435,603							$435,603		$435,603
94000 Total Maintenance	$2,176,814	$0	$0	$44,934	$0	$0	$44,932	$2,266,680	$0	$2,266,680
95100 Protective Services - Labor	$194,871							$194,871		$194,871
95200 Protective Services - Other Contract Costs										
95300 Protective Services - Other	$11,502						$2,163	$13,665		$13,665
95500 Employee Benefit Contributions - Protective Services										
95000 Total Protective Services	$206,373	$0	$0	$0	$0	$0	$2,163	$208,536	$0	$208,536
96110 Property Insurance	$1,493							$1,493		$1,493
96120 Liability Insurance	$198,147						$6,827	$204,974		$204,974
96130 Workmen's Compensation	$185,459			$4,862		$4,037	$28,602	$222,960		$222,960
96140 All Other Insurance	$26,100						$6,190	$32,290		$32,290
96100 Total insurance Premiums	$411,199	$0	$0	$4,862	$0	$4,037	$41,619	$461,717	$0	$461,717
96200 Other General Expenses	$159							$159		$159
96210 Compensated Absences	-$3,422						-$1,967	-$5,389		-$5,389
96300 Payments in Lieu of Taxes	$132,473						-$1,556	$130,917		$130,917
96400 Bad debt - Tenant Rents	$91,365							$91,365		$91,365
96500 Bad debt - Mortgages										
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	$220,575	$0	$0	$0	$0	$0	-$3,523	$217,052	$0	$217,052
96710 Interest of Mortgage (or Bonds) Payable										
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

96900 Total Operating Expenses	$7,048,572	$62,565	$51,337	$341,369	$0	$64,347	$1,027,649	$8,595,839	-$604,491	$7,991,348
97000 Excess of Operating Revenue over Operating Expenses	$226,903	$0	$0	-$3,294	$608	$1,764,484	-$287,579	$1,701,122	$0	$1,701,122
97100 Extraordinary Maintenance										
97200 Casualty Losses - Non-capitalized										
97300 Housing Assistance Payments										
97350 HAP Portability-In										
97400 Depreciation Expense	$1,264,266			$1,449			$98,462	$1,364,177		$1,364,177
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	$8,312,838	$62,565	$51,337	$342,818	$0	$64,347	$1,126,111	$9,960,016	-$604,491	$9,355,525
10010 Operating Transfer In	$476,448				$59,424			$535,872	-$535,872	$0
10020 Operating transfer Out	-$476,448					-$59,424		-$535,872	$535,872	$0
10030 Operating Transfers from/to Primary Government										
10040 Operating Transfers from/to Component Unit										
10050 Proceeds from Notes, Loans and Bonds										
10060 Proceeds from Property Sales										
10070 Extraordinary Items, Net Gain/Loss										
10080 Special Items (Net Gain/Loss)										
10091 Inter Project Excess Cash Transfer In										
10092 Inter Project Excess Cash Transfer Out										
10093 Transfers between Program and Project - In										
10094 Transfers between Project and Program - Out										
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0	$59,424	-$59,424	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$1,037,363	$0	$0	-$4,743	$60,032	$1,705,060	-$386,041	$336,945	$0	$336,945
11020 Required Annual Debt Principal Payments	$0	$0	$0	$0	$0	$0	$0	$0		$0
11030 Beginning Equity	$45,725,453	$0	$0	$113,281	$966,222	$1,117,378	$476,460	$48,398,794		$48,398,794
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$0						-$721	-$721		-$721
11050 Changes in Compensated Absence Balance										
11060 Changes in Contingent Liability Balance										
11070 Changes in Unrecognized Pension Transition Liability										
11080 Changes in Special Term/Severance Benefits Liability										
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents										
11100 Changes in Allowance for Doubtful Accounts - Other										
11170 Administrative Fee Equity										

11180 Housing Assistance Payments Equity										
11190 Unit Months Available	10140	0	0	0	0	0	0	10140		10140
11210 Number of Unit Months Leased	9845	0	0	0	0	0	0	9845		9845
11270 Excess Cash	$6,545,468							$6,545,468		$6,545,468
11610 Land Purchases	$0						$0	$0		$0
11620 Building Purchases	$0						$0	$0		$0
11630 Furniture & Equipment - Dwelling Purchases	$0						$0	$0		$0
11640 Furniture & Equipment - Administrative Purchases	$0						$0	$0		$0
11650 Leasehold Improvements Purchases	$262,774						$24,221	$286,995		$286,995
11660 Infrastructure Purchases	$0						$0	$0		$0
13510 CFFP Debt Service Payments	$0						$0	$0		$0
13901 Replacement Housing Factor Funds	$0						$0	$0		$0