

City of Lancaster

Single Audit Report

Year Ended December 31, 2021
with Independent Auditor's Reports

MaherDuessel

The logo for MaherDuessel features the company name in a serif font. The word "Maher" is in black, and "Duessel" is in blue. Below the text is a horizontal bar that is black on the left and blue on the right, matching the color of the text.

CITY OF LANCASTER SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2021

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Independent Auditor’s 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 Honorable Danene Sorace, Mayor and Members of City Council
City of Lancaster, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lancaster, Pennsylvania (City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated September 27, 2022. Our report includes a reference to other auditors who audited the financial statements of the Lancaster Industrial Development Authority, the Lancaster Recreation Commission, the Redevelopment Authority of the City of Lancaster, the Lancaster Downtown Investment District Authority, the City of Lancaster Land Bank Authority, and the City of Lancaster City Revitalization and Improvement Zone Authority, as described in our report on the City’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Parking Authority of the City of Lancaster, the Redevelopment Authority of the City of Lancaster, the Lancaster Downtown Investment District Authority, and the City of Lancaster Land Bank Authority were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Parking Authority of the City of Lancaster, the Redevelopment Authority of the City of Lancaster, the Lancaster Downtown Investment District Authority, and the City of Lancaster Land Bank Authority.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing 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 City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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*.

City's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

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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.

Mahe Duessel

Harrisburg, Pennsylvania
September 27, 2022

**Independent Auditor’s Report on Compliance for Each Major Program and on
Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

**To the Honorable Danene Sorace, Mayor and Members of City Council
City of Lancaster, Pennsylvania**

[Report on Compliance for Each Major Federal Program](#)

Opinion on Each Major Federal Program

We have audited the City of Lancaster, Pennsylvania’s (City) 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 City’s major federal programs for the year ended December 31, 2021. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City 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 December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

To the Honorable Danene Sorace, Mayor and Members of City Council
City of Lancaster, Pennsylvania
Independent Auditor's Report on Compliance
for Each Major Program

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

To the Honorable Danene Sorace, Mayor and Members of City Council
City of Lancaster, Pennsylvania
Independent Auditor's Report on Compliance
for Each Major Program

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

To the Honorable Danene Sorace, Mayor and Members of City Council
City of Lancaster, Pennsylvania
Independent Auditor's Report on Compliance
for Each Major Program

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 27, 2022, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Lancaster Industrial Development Authority, the Lancaster Recreation Commission, the Redevelopment Authority of the City of Lancaster, the Lancaster Downtown Investment District Authority, the City of Lancaster Land Bank Authority, and the City of Lancaster City Revitalization and Improvement Zone Authority. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards (schedule) is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Maher Duessel

Harrisburg, Pennsylvania
October 24, 2022

CITY OF LANCASTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

Federal Grantor Project Title	Source Code	Federal ALN	Grant Pass-Through Grantor's Number	Period Beginning/ Ending Date	Grant Amount	Expenditures	Payments Made to Subrecipients
U.S. Department of Housing and Urban Development:							
CDBG - Entitlement Grants Cluster:							
Community Development Block Grant	D	14.218	B-17-MC-42-0010	01/01/20-12/31/21	\$ 1,594,384	\$ 1,228	\$ -
Community Development Block Grant	D	14.218	B-18-MC-42-0010	01/01/20-12/31/21	1,679,235	33,112	-
Community Development Block Grant	D	14.218	B-19-MC-42-0010	01/01/20-12/31/21	1,660,779	527,963	-
Community Development Block Grant	D	14.218	B-20-MC-42-0010	01/01/20-12/31/21	1,707,928	1,036,029	12,917
COVID-19 - Community Development Block Grant	D	14.218	B-20-MW-42-0010	01/01/20-12/31/21	1,552,939	511,352	388,112
COVID-19 - Community Development Block Grant	D	14.218	B-21-MC-420010	01/01/20-12/31/21	1,694,127	486,613	7,500
Subtotal CDBG - Entitlement Grants Cluster and 14.218						2,596,297	408,529
Passed through the County of Lancaster:							
HOME Investment Partnerships Program	I	14.239	M-19-DC-42-0210	01/01/19-12/31/21	542,178	10,276	-
Passed through Commonwealth of Pennsylvania Department of Community and Economic Development:							
HOME Investment Partnerships Program	I	14.239	C000069499	05/16/18 - 11/15/2021	750,000	750,000	750,000
Subtotal 14.239						760,276	750,000
Emergency Solutions Grant Program	D	14.231	E-19-MC-42-0010	07/01/19-06/30/20	142,487	81,433	81,433
Emergency Solutions Grant Program	D	14.231	E-20-MC-42-0010	07/01/20-06/30/21	145,929	139,270	134,985
COVID-19 - Emergency Solutions Grant Program	D	14.231	E-20-MW-42-0010	07/01/20-06/30/21	1,312,457	545,762	553,508
Emergency Solutions Grant Program	D	14.231	E-21-MC-42-0010	07/01/21-06/30/22	145,679	30,939	-
Subtotal 14.231						797,404	769,926
Lead-Based Paint Hazard Control in Privately-Owned Housing	D	14.900	PALNG0009-19	1/2/20-12/31/24	9,700,000	873,275	-
Passed through the PA Department of Health:							
Passed through Lawrence County:							
Lead-Based Paint Hazard Control in Privately-Owned Housing	I	14.900	PALHB0701-18	04/15/2019-09/14/2022	431,650	49,127	-
Subtotal 14.900						922,402	-
Total U.S. Department of Housing and Urban Development						5,076,379	1,928,455
U.S. Department of Interior:							
Passed through the PA Historical and Museum Commission:							
Historic Preservation Fund - Grants-In-Aid	I	15.904	ME-61902	8/1/19-7/31/20	8,609	3,623	-
Historic Preservation Fund - Grants-In-Aid	I	15.904	4100087346	05/01/20-12/31/21	10,000	10,000	-
Total U.S. Department of Interior and Subtotal 15.904						13,623	-

(Continued)

See accompanying note to schedule of expenditures of federal awards.

CITY OF LANCASTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Federal Grantor Project Title	Source Code	Federal ALN	Grant Pass-Through Grantor's Number	Period Beginning/ Ending Date	Grant Amount	Expenditures	Payments Made to Subrecipients
U.S. Department of Justice:							
COVID-19 - Coronavirus Emergency Supplemental Funding Program	D	16.034	2020-VD-BX-0783	1/20/20-1/31/22	154,090	131,120	-
Edward Byrne Memorial Justice Assistance Grant Program	D	16.738	2020-DJ-BX-0232	10/1/19-9/30/23	43,168	37,282	-
			15PBJA-21-GG-01775-				
Edward Byrne Memorial Justice Assistance Grant Program	D	16.738	JAGX	10/1/20-9/30/24	51,894	3,563	-
Subtotal 16.738						40,845	-
Total U.S. Department of Justice						171,965	-
U.S. Environmental Protection Agency:							
Passed through the National Fish and Wildlife Foundation:							
Chesapeake Bay Program	I	66.466	18258	5/20/20-5/15/21	100,000	100,000	-
Passed through Pennsylvania Infrastructure Investment Authority:							
Drinking Water State Revolving Fund Cluster:							
Capitalization Grants for Drinking Water State Revolving Funds	I	66.468	802000	4/1/21 - Completion	8,579,468	4,055,810	-
Subtotal Drinking Water State Revolving Fund Cluster						4,055,810	-
Total U.S. Environmental Protection Agency						4,155,810	-
U.S. Department of Transportation:							
Passed through the Pennsylvania Department of Transportation:							
Highway Planning and Construction Cluster:							
Highway Planning and Construction (Federal-Aid Highway Program)	I	20.205	MPMS #107987	7/31/19-6/30/24	962,378	962,378	-
Subtotal Highway Planning and Construction Cluster						962,378	-
Total U.S. Department of Transportation						962,378	-
National Endowment for the Arts:							
COVID-19 - Promotion of the Arts Grants to Organizations and Individuals	D	45.024	1855663-42-19	7/1/19-6/30/23	75,000	50	-
Total National Endowment for the Arts and Subtotal 45.024						50	-
U.S. Department of the Treasury:							
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	D	21.027	N/A	3/3/21-12/31/24	39,518,923	10,979,669	995,000
Total U.S. Department of the Treasury and Subtotal 21.027						10,979,669	995,000
Total Expenditures of Federal Awards						\$ 21,359,874	\$ 2,923,455

Legend:
D - Direct Funding
I - Indirect Funding
ALN - Assistance Listing Number

See accompanying note to schedule of expenditures of federal awards.

CITY OF LANCASTER

SINGLE AUDIT REPORT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2021

1. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City of Lancaster (City) and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the City's financial statements.

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.

The City has not elected to use the 10-percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

2. Reconciliation of PENNVEST Draws and Expenditures

The following is a reconciliation of the draws made during the year ended December 31, 2021 to the total expenditures, as presented on the schedule for loan 802000:

Draws received during year ended December 31, 2021	\$ 1,609,123
Retainage payable as of December 31, 2021	246,111
Expenditures paid prior to year ended December 31, 2021, draw received subsequent to December 31, 2021	<u>2,200,576</u>
Current year expenditures, as reported on the Schedule of Expenditures of Federal Awards	<u>\$ 4,055,810</u>

The balance of the loan outstanding as of December 31, 2021 was \$1,609,123.

CITY OF LANCASTER SINGLE AUDIT REPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2021

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

3. Noncompliance material to financial statements noted? yes no

4. Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

7. Major Programs:

<u>ALNs</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnerships Program
14.231	Emergency Solutions Grant Program (includes COVID-19 funding)
66.468	Drinking Water State Revolving Fund Cluster
20.205	Highway Planning and Construction Cluster
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Fund

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? yes no

CITY OF LANCASTER

SINGLE AUDIT REPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2021

- II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

Finding 2021-001: Material Adjustments

Condition: The following balances were not properly stated as of December 31, 2021: deferred inflows and outflows of resources and applicable expense related to Other Post-Employment Benefits (OPEB) and pension for Sewer, Water, Trash, and Stormwater funds; Sewer Fund transfers out and revenue; Internal Service Fund claims payable and related expenses, and governmental activities capital assets.

Criteria: In accordance with accounting principles generally accepted in the United States of America (GAAP), OPEB and pension deferred inflows and outflows of resources must be recognized as of the actuarial valuation measurement date. Also in accordance with GAAP: transfers in and out should balance between funds; claims incurred through year-end should be accrued as a liability in the Internal Service fund; and all capital assets (including purchases through use of grant proceeds and assets contributed to the City by third parties) should be tracked and accounted for as additions to the City's capital assets.

Cause: The City's internal control structure did not facilitate adequate review of the financial information.

Effect: In the enterprise funds, deferred inflows for OPEB were understated by \$503,169, deferred outflows for OPEB were overstated by \$3,601,738, deferred inflows for pension were understated by \$935,514, deferred outflows for pension were overstated by \$617,070, and pension/OPEB expenses was understated by \$5,657,491 as of December 31, 2021. Sewer Fund transfers out and revenue was overstated by \$1,081,859. Internal Service Fund claims payable and expenses were understated by \$695,187. Governmental activities capital assets were understated by \$814,425. Audit adjustments were proposed and accepted by management to correct the financial statements.

Recommendation: We recommend that the City implement procedures for adequate review of financial information to ensure that deferred inflows and outflows of resources related to OPEB and pension, transfers, claims liability, and capital assets are properly stated and reflected in the financial statements.

View of Responsible Officials and Corrective Action Plan: Management agrees with this finding. Effective immediately, management will implement procedures for adequate review of financial information.

**CITY OF LANCASTER
SINGLE AUDIT REPORT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2021

III. Findings and questioned costs for federal awards.

None Noted

CITY OF LANCASTER

SINGLE AUDIT REPORT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2021

- I. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

Finding 2020-001: Material Adjustments

Condition: The deferred inflows and outflows of resources and applicable expense related to Other Post-Employment Benefits (OPEB) were not properly stated as of December 31, 2020 in the City's Water, Sewer, Trash and Stormwater funds. In the General Fund, there was a duplicate loan receivable and applicable unearned revenue improperly recorded. Also in the General Fund, the loan receivable and unearned revenue balances were not reduced by payments received during the year ended December 31, 2020.

Recommendation: We recommend that the City implement procedures for adequate review of financial information to ensure that deferred inflows and outflows of resources related to OPEB, loan receivables, and unearned revenue are properly stated and reflected in the financial statements.

Current Status: The City did not implement proper procedures. See current year finding 2021-001.

- II. Findings and questioned costs for federal awards.

None noted.