

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED MARCH 31, 2017**

**WITH  
REPORT OF INDEPENDENT AUDITORS**

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
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**YEAR ENDED MARCH 31, 2017**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners  
Housing Authority of the City of Perth Amboy:

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

We have audited the accompanying financial statements of the Housing Authority of the City of Perth Amboy as of and for the year ended March 31, 2017, and the related notes to the financial statements, as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express 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 and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Perth Amboy as of March 31, 2017, and the changes in its net position and its cash flows for the year 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, schedule of pension contributions and schedule of net pension liability 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 an opinion on the financial statements that collectively comprise the Housing Authority of the City of Perth Amboy's financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements. The accompanying financial data schedule is also not a required part of the financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards and financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 financial statements or to the 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 of expenditures of federal awards and financial data schedule are fairly stated, in all material respects, in relation to the 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 November 1, 2017 on our consideration of the Housing Authority of the City of Perth Amboy'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Perth Amboy's internal control over financial reporting and compliance.

*Novogradec & Company LLP*

November 1, 2017  
Toms River, New Jersey

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2017

As Management of the Housing Authority of the City of Perth Amboy (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, 2017. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this Report.

A     Financial Highlights

1. The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$21,128,728 (net position) as opposed to \$15,181,096 for the prior fiscal year.
2. At the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position (Deficit) of (\$2,527,604), a decrease of \$141,777 from the prior fiscal year.
3. The Authority's unrestricted cash and cash equivalents balance at March 31, 2017 was \$3,232,364 representing a decrease of \$373,963 from the prior fiscal year.
4. The Authority had Total Operating Revenues of \$18,398,089 and Total Operating Expenses of \$19,984,902 (including depreciation of \$1,104,157) for the year ended March 31, 2017.
5. The Authority's capital outlays for the fiscal year were \$75,368.
6. The Authority's Expenditures of Federal Awards amounted to \$16,177,547 for the fiscal year.

B.     Using the Annual Report

1.     Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2017

B. Using the Annual Report (continued)

2. Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

The Statement of Net Position present information on all the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

Statement of Cash Flows report the Authority's cash flows from operating, investing, capital and non-capital activities.

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The basic financial statements can be found on pages 12 through 16.

3. Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found in this Report after the financial statements.



HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2017

B. Using the Annual Report (continued)

4. Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State of New Jersey OMB Circular 15-08. The Schedule of Expenditures of Federal Awards can be found on page 40 of this report.

C. The Authority as a Whole

The Authority's unrestricted net position decreased during the fiscal year as detailed on the following page. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were insufficient to cover all expenses, excluding depreciation during the fiscal year.

By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services to its tenants consequently these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2017

C. The Authority as a Whole (continued)

Computations of Net Position are as follows:

	3/31/2017	As of 3/31/2016
Cash and Other Current Assets	\$ 4,653,139	\$ 4,109,835
Other Assets	11,690,356	4,229,528
Capital Assets – Net	15,271,277	16,752,399
Deferred outflows of resources	2,318,407	783,552
Total Assets	<u>33,933,179</u>	<u>25,875,314</u>
Less: Current Liabilities	1,033,539	821,017
Less: Long Term Liabilities	11,545,102	9,504,670
Less: Deferred inflows of resources	226,260	368,531
Net Position	<u>\$ 21,128,278</u>	<u>\$ 15,181,096</u>
Net Investment in Capital Assets	\$ 13,721,277	\$ 15,067,399
Restricted Net Position	9,934,605	2,499,524
Unrestricted Net Position	<u>(2,527,604)</u>	<u>(2,385,827)</u>
Net Position	<u>\$ 21,128,278</u>	<u>\$ 15,181,096</u>

1. Cash and Other current assets increased \$543,304 primarily due to an increase in operating grants received.
2. Other assets increased \$7,460,828 primarily due to rise in restricted cash from income earned from sale of Delaney Homes.
3. Capital assets, net decreased \$1,481,122 as \$75,368 in Authority capital purchases were offset by \$1,104,157 in annual depreciation expense and \$452,333 in net dispositions.
4. Capital revenue bonds payable decreased \$135,000 as the Authority paid the current principal amount due on the bonds.

HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2017

C. The Authority as a Whole (continued)

Computations of Changes in Net Position are as follows:

	Year Ended	
	3/31/2017	3/31/2016
<u>Operating Revenues</u>		
Tenant Revenues	\$ 1,936,171	\$ 1,942,074
HUD and other Government Subsidies	13,156,096	12,752,184
Other Revenues	3,305,822	3,139,182
Total Operating Revenues	<u>18,398,089</u>	<u>17,833,440</u>
<u>Operating Expenses</u>		
Other Operating Expenses	6,440,745	6,332,441
Housing Assistance Payments	12,440,000	11,964,606
Depreciation Expense	1,104,157	1,123,949
Total Operating Expenses	<u>19,984,902</u>	<u>19,420,996</u>
Operating Income (Loss)	<u>(1,586,813)</u>	<u>(1,587,556)</u>
Non-Operating Revenues:		
Interest on Investments	60,248	39,382
Interest Expense	(75,888)	(81,575)
Gain/loss on sale of capital assets	7,347,667	(10,854)
HUD Capital Grants	201,968	465,950
Total Non-oper-Rev (Expenses)	<u>7,533,995</u>	<u>412,903</u>
Change in Net Position	5,947,182	(1,174,653)
Net Position – Beginning of Year	<u>15,181,096</u>	<u>16,355,749</u>
Net Position - End of Year	<u>\$ 21,128,278</u>	<u>\$ 15,181,096</u>

HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2017

C. The Authority as a Whole (continued)

1. HUD operating grants increased \$403,912 primarily due to \$337,060 more in funding in the Housing Choice Voucher Program which was offset by a \$352,474 decrease in public housing subsidy and capital funds utilized for operations as well as an increase in ROSS grants of \$185,495.
2. Utilities expenses decreased \$47,648 from \$1,284,712 in 2016 to \$1,237,064 in 2017 primarily due to decreases in water charges of \$25,205.
3. Ordinary maintenance and operations expenses decreased \$58,418 as contract costs increased \$15,534 material costs decreased \$43,219 and salaries and benefits increased by \$150,985.
4. Housing assistance payments expense increased \$475,394 as an increase in regular HAP of \$402,457 and an increase in HAP for portable tenants of \$72,937.

D. Budgetary Highlights

For the year ended March 31, 2017, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. These budgets were primarily used as a management tool and have no legal stature. Also, the Authority adopted a comprehensive annual budget for the General Fund. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2017

E. Capital Assets and Debt Administration

1. Capital Assets

As of March 31, 2017, the Authority's investment in capital assets for its Proprietary Fund was \$15,271,277 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs.

2. Long Term Debt

In December 2004, the Authority financed a portion of their future capital fund allocation to participate in a debt leveraging pool with various Housing Authorities in the State of New Jersey. The Capital Fund Program Revenue Bonds 2004 Series A "The Bonds" were sponsored by the New Jersey Housing and Mortgage Finance Agency. The leveraging provided the Authority with \$2,753,259 after closing costs to be used to fund various capital improvements throughout the Authority. The debt service on the bonds will be paid from future capital grants funded by the United States Department of Housing and Urban Development. The bonds will begin to mature in November, 2005 and continue to be paid through November 2025. Bonds maturing during the fiscal year ended March 31<sup>st</sup>, 2017 amounted to \$135,000.

HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2017

F. Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending March 31, 2018.

1. The state of the economy.
2. The need for Congress to fund the war on terrorism and the possible cut-back on HUD subsidies and grants.
3. The Authority's cash position (excluding restricted cash and tenant security deposits) of \$3,232,364 may be used to fund any shortfalls rising from a possible economic turndown and reduced subsidies and grants. The Authority's cash position appears sufficient to cover any shortfall.

G. Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Douglas Dzema, Executive Director, Housing Authority of the City of Perth Amboy, 881 Amboy Ave., Perth Amboy, N.J. 08862.

## FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
STATEMENT OF NET POSITION  
AS OF MARCH 31, 2017**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 3,232,364
Tenant security deposits	133,481
Accounts receivable - HUD	18,185
Accounts receivable - tenants, net	24,347
Accounts receivable - miscellaneous, net	971,893
Prepaid expenses	<u>272,869</u>
Total current assets	<u>4,653,139</u>
Non-current assets:	
Restricted cash and cash equivalents	7,935,392
Notes receivable	2,469,964
Investment in leased property	1,285,000
Capital assets, net	<u>15,271,277</u>
Total non-current assets	<u>26,961,633</u>
Total assets	<u>31,614,772</u>

**DEFERRED OUTFLOWS OF RESOURCES**

State of New Jersey P.E.R.S.	<u>2,318,407</u>
Total assets and deferred outflows of resources	<u>\$ 33,933,179</u>

*See accompanying notes to financial statements.*



**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**STATEMENT OF NET POSITION (continued)**  
**AS OF MARCH 31, 2017**

**LIABILITIES**

Current liabilities:	
Accounts payable	263,499
Accrued expenses	87,149
Accrued compensated absences, current	283,679
Tenant security deposits	133,481
Deferred grant revenue	98,971
Prepaid rents	6,988
Prepaid ground lease, current portion	19,772
Current portion of capital fund revenue bonds	<u>140,000</u>
Total current liabilities	<u>1,033,539</u>
Non-current liabilities:	
Accrued compensated absences, net of current portion	474,036
Capital fund revenue bonds, net of current portion	1,410,000
Accrued pension liability	8,124,773
Prepaid ground lease, net of current portion	1,060,262
FSS escrows	<u>476,031</u>
Total non-current liabilities	<u>11,545,102</u>
Total liabilities	<u>12,578,641</u>

**DEFERRED INFLOWS OF RESOURCES**

State of New Jersey P.E.R.S.	<u>226,260</u>
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**NET POSITION**

Net position:	
Net investment in capital assets	13,721,277
Restricted	9,934,605
Unrestricted	<u>(2,527,604)</u>
Total net position	<u>21,128,278</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 33,933,179</u>

*See accompanying notes to financial statements.*

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED MARCH 31, 2017**

Operating revenues:	
Tenant revenue	\$ 1,936,171
HUD operating grants	13,156,096
Other government grants	25,241
Other revenues	<u>3,280,581</u>
Total operating revenues	<u>18,398,089</u>
Operating expenses:	
Administrative	2,753,382
Tenant services	197,914
Utilities	1,237,064
Ordinary maintenance and operations	1,414,840
General	837,545
Housing assistance payments	12,440,000
Depreciation	<u>1,104,157</u>
Total operating expenses	<u>19,984,902</u>
Operating loss	<u>(1,586,813)</u>
Non-operating revenues (expenses):	
Interest expense	(75,888)
Gain on sale of capital assets	7,347,667
Investment income	<u>60,248</u>
Net non-operating revenues (expenses)	<u>7,332,027</u>
Gain before capital grants	5,745,214
Capital grants	<u>201,968</u>
Change in net position	5,947,182
Total net position, beginning of year	<u>15,181,096</u>
Total net position, end of year	<u>\$ 21,128,278</u>

*See accompanying notes to financial statements.*

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2017**

Cash Flows from Operating Activities:	
Cash received from grantors	\$ 13,180,662
Cash received from tenants and others	4,396,624
Cash paid to suppliers	(16,562,537)
	<u>(1,696,548)</u>
Net cash used by operating activities	<u>(681,799)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(75,368)
Principal payments on long term debt	(135,000)
Interest payments on long term debt	(75,888)
Proceeds from sale of assets	7,400,000
Proceeds from capital grants	<u>201,968</u>
Net cash provided by capital and related financing activities	<u>7,315,712</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>39,754</u>
Net cash provided by investing activities	<u>39,754</u>
Net increase in cash and cash equivalents	6,673,667
Cash and cash equivalents at beginning of year	<u>4,627,570</u>
Cash and cash equivalents at end of year	<u><u>\$ 11,301,237</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and cash equivalents	\$ 3,232,364
Tenant security deposits	133,481
Restricted cash	<u>7,935,392</u>
Cash and cash equivalents at end of year	<u><u>\$ 11,301,237</u></u>

*See accompanying notes to financial statements.*

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**STATEMENT OF CASH FLOWS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,586,813)
Items which did not use cash:	
Depreciation	1,104,157
Bad debt	2,729
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Accounts receivable	(906,788)
Prepaid expenses	(5,912)
Other assets	(1,534,855)
Accounts payable	50,203
Accrued expenses	14,214
Tenant security deposits	7,296
Prepaid rents	83,256
Accrued compensated absences	6,720
Other liabilities	<u>2,083,994</u>
Net cash used by operating activities	\$ <u>(681,799)</u>

*See accompanying notes to financial statements.*

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Housing Authority of the City of Perth Amboy (the "Authority") is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J.S.A. 4A:12A-1, et. Seq., the "Housing Authority Act") for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Perth Amboy. The Authority is responsible for operating certain low-rent housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The governing board is essentially autonomous but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Authority's Board to manage the day-to-day operations of the Authority.

**B. Basis of Accounting / Financial Statement Presentation**

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The Authority utilizes one enterprise fund to account for activities that are operated in a manner similar to those found in the private sector.

The enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, ("GASB 34") as amended. GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplemental Information.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**B. Basis of Accounting / Financial Statement Presentation (continued)**

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions*, grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

On January 30, 2008, HUD issued *PIH Notice 2008-9* which requires that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net assets (position), with the associated cash and investments also being reported on HUD's Financial Data Schedule ("FDS") as restricted.

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting.

Any investment income earned on these funds is reflected in the net position account on which the investment income was earned. Investment income earned on HAP cash balances is credited to the HAP restricted net position account and investment income earned on administrative fee cash balances is credited to the unrestricted net position account.

**C. Reporting Entity**

In accordance with GASB 61, the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate, tax-exempt organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**C. Reporting Entity (continued)**

3. The primary government is obligated in some manner for the debt of the organization.

Based on the application of the above criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

**D. Description of Programs**

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

Public and Indian Housing (Low Rent Public Housing Program)

The Public Housing Program is designed to provide low-cost housing within the City of Perth Amboy. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

Section 8 Housing Choice Vouchers Program

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

Public Housing Capital Fund Program

The purpose of the Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

Community Development Block Grants / Entitlement Grants

The primary objective of the Community Development Block Grant Entitlement Program is to develop viable urban communities by providing decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low and moderate income.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Description of Programs (continued)**

Resident Opportunity and Supportive Services

The purpose of the ROSS Service Coordinator program is to provide funding to hire and maintain Service Coordinators who will assess the needs of residents of conventional Public Housing or Indian housing and coordinate available resources in the community to meet those needs. This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities.

Housing Counseling Assistance Program

The purpose of the Housing Counseling Assistance Program is to counsel homeowners, homebuyers, prospective renters and tenants under HUD programs, and conventional and other government programs in improving their housing conditions and in meeting the responsibilities of tenancy and homeownership.

**E. Use of Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

**F. Cash, Cash Equivalents and Investments**

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the act.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment.



**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Cash, Cash Equivalents and Investments (continued)**

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. Investments are carried at cost plus accrued interest which approximates market value. Income from investments is recognized on the accrual basis.

It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

**G. Accounts Receivable**

Rents are due from tenants on the first day of each month. As a result, tenants' accounts receivable balances primarily consist of rents past due and vacated tenants. Also included in accounts receivable are those amounts that tenants owe the Authority as payment for committing fraud or misrepresentation. These charges usually consist of retroactive rent and other amounts that may be determined by a formal written agreement or by a court order. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason.

The Authority also recognizes a receivable from HUD and other governmental agencies for amounts billed but not received and for amounts unbilled, but earned as of year-end.

**H. Prepaid Expenses**

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

**I. Compensated Absences**

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. Employees may be compensated for sick leave at retirement or termination at one half of the earned, accrued and unused sick leave at the current salary to a maximum of 150 days.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Capital Assets**

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

♦	Furniture and Equipment	3 - 5 Years
♦	Leasehold Improvements	15 Years
♦	New Buildings	40 Years

The Authority has established a capitalization threshold of \$1,000.

**K. Prepaid Rents and Leases**

Prepaid rents and leases consist of rent payments made by tenants and land lease payments that apply to future periods.

**L. Inter-program Receivables and Payables**

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net zero. In accordance with GASB 34, inter-program receivables and payables are eliminated for financial statement purposes.

**M. Operating Revenues and Expenses**

The Authority defines its operating revenues as income derived from charges to residents and others for services provided, as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues and expenses as non-operating.

**N. Taxes**

The Authority is a unit of local government under New Jersey law and is exempt from real estate, sales and income taxes.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Budgets and Budgetary Accounting**

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with GAAP. All appropriations lapse at HUD's program year end or at the end of grant periods.

The Authority also submits its annual entity-wide operating and capital budget to the State of New Jersey Department of Consumer Affairs in accordance with New Jersey State Law.

**P. Deferred Outflows of Resources and Deferred Inflows of Resources**

The deferred outflows of resources represent a consumption of net assets by the Authority that is applicable to a future reporting period and has a positive effect on net position. The deferred inflows of resources represent an acquisition of net assets by the Authority that is applicable to a future reporting period and has a negative effect on net position.

**Q. Equity Classifications**

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other resources that do not meet the definition of "restricted" or "net investment in capital assets."

**NOTE 2. CASH DEPOSITS**

As of March 31, 2017, the Authority had funds on deposit in checking, money market and investment accounts.

As of March 31, 2017, the carrying amount of the Authority's cash and cash equivalents and restricted cash was \$11,301,237 and the bank balance approximated \$11,370,602. Of the bank balances, \$990,661 was covered by federal depository insurance and the remaining \$10,379,941 was collateralized with the pledging financial institution as of March 31, 2017.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 2. CASH DEPOSITS (continued)**

<u>Cash Account</u>	<u>Amount</u>
Insured: FDIC	\$ 990,661
Collateralized: Amount held by pledging financial institution	<u>10,379,941</u>
	<u>\$ 11,370,602</u>

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of March 31, 2017, the Authority's bank balances were not exposed to custodial credit risk.

**NOTE 3. ACCOUNTS RECEIVABLE - HUD**

HUD accounts receivable represents amounts due to the Authority for operating grants receivable which amounted to \$18,185 as of March 31, 2017. The Authority considers this amount fully collectible and accordingly, have made no allowance for doubtful accounts.

**NOTE 4. ACCOUNTS RECEIVABLE - TENANTS**

Tenant accounts receivable are stated net of an allowance of \$70,316 at March 31, 2017.

**NOTE 5. ACCOUNTS RECEIVABLE - MISCELLANEOUS**

Accounts receivable - miscellaneous contains amounts due from portable tenants, receivables for services provided by the Authority's staff at other local authorities, receivables for rental assistance demonstration development costs and a federal emergency management agency grant money. Accounts receivable - miscellaneous totaled \$971,893 at March 31, 2017. The Authority considers this amount fully collectible and accordingly, has made no allowance for doubtful accounts.

**NOTE 6. RESTRICTED CASH**

Restricted cash consists of the following at March 31, 2017:

<u>Cash Category</u>	<u>Amount</u>
Housing assistance payment reserves	\$ 409,033
Family Self Sufficiency program escrows	470,751
The Park View program reserves	208,737
Delaney program reserves	<u>6,846,871</u>
Total restricted cash	7,935,392
Tenant security deposits	<u>133,481</u>
Total restricted cash and tenant security deposits	<u>\$ 8,068,873</u>

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 6. RESTRICTED CASH (continued)**

Housing assistance payment reserves are restricted for use only in the Housing Choice Voucher Program for tenant rents.

Family Self Sufficiency ("FSS") program escrows are restricted for use in the Housing Choice Voucher Program and the Public and Indian Housing Program by FSS program participants.

The Park View program reserves are restricted for affordable housing purposes within the Authority's Public and Indian Housing Program.

The Delaney program reserves are restricted for affordable housing purposes within the Authority's Public and Indian Housing Program.

Tenant security deposits are restricted to pay for the outstanding rent and/or damages caused by a tenant. Any remaining funds must be paid to tenant upon move-out.

**NOTE 7. CAPITAL ASSETS**

A summary of the changes in fixed assets for the year ended March 31, 2017 was as follows:

Description	March 31, 2016	Additions	Dispositions	Transfers	March 31, 2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,135,864	\$ -	\$ (52,333)	\$ -	\$ 1,083,531
Construction in progress	998,990	66,969	(400,000)	(149,813)	516,146
Total	<u>2,134,854</u>	<u>66,969</u>	<u>(452,333)</u>	<u>(149,813)</u>	<u>1,599,677</u>
<u>Depreciable capital assets:</u>					
Buildings	28,151,001	-	-	19,369	28,170,370
Furniture and equipment	402,003	8,400	-	30,000	440,403
Leasehold improvements	3,843,689	-	(679,265)	100,444	3,264,868
Total	<u>32,396,693</u>	<u>8,400</u>	<u>(679,265)</u>	<u>149,813</u>	<u>31,875,641</u>
Less: accumulated depreciation	<u>17,779,149</u>	<u>1,104,157</u>	<u>(679,265)</u>	<u>-</u>	<u>18,204,041</u>
Net capital assets	<u>\$ 16,752,398</u>	<u>\$ (1,028,788)</u>	<u>\$ (452,333)</u>	<u>\$ -</u>	<u>\$ 15,271,277</u>

Depreciation expense for the year ended March 31, 2017 amounted to \$1,104,157.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 8. LOAN RECEIVABLE**

Notes receivable at March 31, 2017 consisted of the following:

<u>Description</u>	<u>Amount</u>
The Authority advanced a loan to Perth Willow Pond, LLC in the amount of \$400,000. The loan accrues interest at 1% per annum. Annual payments are payable only out of "Net Cash Flow" as defined in the operating agreement and are due starting December 2025. The loan matures December 2044 and is subordinate to a first mortgage. Management expects the current portion of the loan to be nil.	\$ 400,000
The Authority advanced a loan to Parkview Senior Housing, LLC in the amount of \$1,950,000 in connection with the development of an 84 unit building of which 31 units will be operated as public housing. The loan accrues interest at 1% per annum. Principal and interest is payable only out of "Net Cash Flow" as defined in the partnership agreement and is due on April 17, 2040. The loan is secured by the underlying land and building. Management expects the current portion of the loan to be nil.	<u>2,069,964</u>
Total notes receivable	\$ <u>2,469,964</u>

Included in the Parkview Senior Housing, LLC note receivable balance is \$119,964 of accrued interest on the loan.

**NOTE 9. PENSION PLAN**

**A. Plan Description**

The State of New Jersey, Public Employees Retirement System (PERS) is a cost-sharing multiple employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR), which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**B. Benefits**

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 9. PENSION PLAN (continued)**

**B. Benefits (continued)**

1. Members who were enrolled prior to July 1, 2007
2. Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3. Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4. Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5. Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of  $1/55^{\text{th}}$  of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of  $1/60^{\text{th}}$  of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers one and two before reaching age 60, tiers 3 and 4 before age 62 with 25 years or more of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month a member retires prior to the age at which a member can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**C. Contributions**

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by all active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

The local employers' contribution amounts are based on the actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 9. PENSION PLAN (continued)**

**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At March 31, 2017, the Authority reported a liability of \$8,124,773 for its proportionate share of the net pension liability. The net pension liability for 2016 was measured as of July 1, 2015 and rolled forward to June 30, 2016.

For the year ended March 31, 2017, the Authority recognized pension expense of \$523,394. At March 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 1,683,019	\$ -
Changes in Proportion	174,487	(217,193)
Differences between expected and actual experience	151,096	-
Net differences between actual and projected earnings on pension plan investments	309,805	-
Net differences between Proportionate Share and actual Contribution	<u>-</u>	<u>(9,067)</u>
Total	<u>\$ 2,318,407</u>	<u>\$ (226,260)</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Amount</u>
Year ending March 31:	
2017	\$ 456,844
2018	456,844
2019	531,422
2020	475,046
2021	<u>171,991</u>
	<u>\$ 2,092,147</u>



**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 9. PENSION PLAN (continued)**

**E. Actuarial Assumptions**

The total pension liability calculated utilizing a June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability calculated utilizing a June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate	3.08%
Salary Increases 2012-2021	1.65-4.15%, based on age
Thereafter	2.65 - 5.15%, based on age
Investment rate of return	7.65%

Pre-mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For state employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members and one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 9. PENSION PLAN (continued)**

**F. Long-term Expected Rate of Return**

The long-term expected rate of return is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class includes the PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Mkts.	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Ret.	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

**G. Discount Rate**

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016 and 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on the pension plan investments of 7.65% and 7.90%, respectively, and a municipal bond rate of 2.85% as of June 30, 2016 and 3.80% as of June 30, 2015 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made based on the contribution rate in the most recent fiscal year. The state employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 9. PENSION PLAN (continued)**

**H. Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority's June 30, 2016 proportionate share of the net pension liability calculated using the discount rate of 3.98% percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.98 percent) or 1 percentage point higher (4.98 percent) than the current rate.

	1% Decrease (2.98%)	Discount Rate (3.98%)	1% Increase (4.98%)
Authority's proportionate share of the net pension liability	\$ <u>9,955,961</u>	\$ <u>8,124,773</u>	\$ <u>6,612,968</u>

**NOTE 10. OTHER POST-RETIREMENT BENEFITS**

The Authority participates New Jersey State Health Benefits Program ("the SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

A retiree may also receive Authority-paid health benefits in accordance with labor agreements if they have twenty-five (25) or more years enrolled in the pension system.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. The following were the required contributions to the SHBP:

<u>Year</u>	<u>Amount</u>
2017	\$ <u>151,789</u>
2016	\$ <u>129,216</u>
2015	\$ <u>121,861</u>

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 11. PAYMENTS IN LIEU OF TAXES**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of Perth Amboy. Under the Cooperation Agreement, the Authority must pay the Township the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended March 31, 2017, PILOT expense that was incurred amounted to \$69,911.

**NOTE 12. LONG TERM OBLIGATIONS**

During 2004, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, 2004 Series A on December 23, 2004. The Authority's share of funds from the bond issue pool amounted to \$2,830,000. Interest accrues at 3.544% and is payable semi-annually on May 1st and November 1st. Repayment of the funds is paid solely from Capital Fund allocations received by the Authority from the Department of Housing and Urban Development. The bonds mature in November, 2025.

The funds received from the leveraging pool are restricted and must be spent in accordance with the Authority's Capital Fund budget within four years and as such are recorded as restricted cash on the Statements of Net Position.

Outstanding balances at March 31, 2017 totaled \$1,550,000. Annual debt service for principal and interest over the next five years and in five year increments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	140,000	69,873	209,873
2019	150,000	63,638	213,638
2020	155,000	57,076	212,076
2021	160,000	50,055	210,055
2022	170,000	42,418	212,418
2023-2025	<u>775,000</u>	<u>84,012</u>	<u>859,012</u>
	<u>\$ 1,550,000</u>	<u>\$ 367,072</u>	<u>\$ 1,917,072</u>

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 12. LONG TERM OBLIGATIONS (continued)**

Long term debt activity for the year ended March 31, 2017 consisted of the following:

	March 31, 2016	Additions	Retirements	March 31, 2017	Due in One Year
Capital fund revenue bonds	\$ 1,685,000	\$ -	\$ 130,000	\$ 1,555,000	\$ 140,000
Accrued compensated absences	750,995	153,286	146,566	757,715	283,679
FSS escrows	479,518	112,027	115,514	476,031	-
Accrued pension liability	5,924,255	2,444,226	243,708	8,124,773	-
Prepaid lease	<u>1,099,806</u>	<u>-</u>	<u>19,772</u>	<u>1,080,034</u>	<u>19,772</u>
	<u>\$ 9,939,574</u>	<u>\$ 2,709,539</u>	<u>\$ 655,560</u>	<u>\$11,993,553</u>	<u>\$ 443,451</u>

**NOTE 13. RESTRICTED NET POSITION**

As of March 31, 2017, restricted net position consisted of the following:

<u>Description</u>	<u>Amount</u>
The Park View program reserves	\$ 208,737
Mixed finance loan receivable and accrued interest	2,469,964
Delaney program reserves	6,846,871
Housing assistance payments	<u>409,033</u>
Total restricted net position	<u>\$ 9,934,605</u>

The Park View program reserves are restricted for affordable housing purposes.

Mixed finance loan receivable reserves are restricted for affordable housing purposes upon collection of the loan and the satisfaction of regulatory requirements.

The Delaney program reserves are restricted for affordable housing purposes.

Accumulated earnings in connection with the overpayment of housing assistance payments are restricted for rent payments to landlords as part of the Housing Choice Voucher Program.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 14. LEASING ACTIVITIES**

The Authority is the lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD. Although residents may opt for a flat rent, leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Tenant Revenue". Tenant revenue per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions which impact personal income and local job availability.

**NOTE 15. ECONOMIC DEPENDENCY**

The Housing Choice Voucher and the Public and Indian Housing Programs are economically dependent on annual grants from HUD.

**NOTE 16. GROUND LEASE AGREEMENT**

On August 17, 2010, the Authority entered into a 65 year ground lease with Parkview Senior Housing, LLC in furtherance of the Authority's redevelopment objectives. Under terms of the agreement, the Authority leases land it owns to a third party and that party owns the improvements built on the land. In accordance with Generally Accepted Accounting Principles, this lease is classified as an operating lease which is accounted for as follows:

The leased property will be included near property, plant and equipment but separately identified on the Authority's Statement of Net Position as "Investment in Leased Property". Since land has an indefinite useful life, no depreciation will be charged on the property.

Rent will be reported as income over the lease term as it becomes receivable according to the provisions of the lease. However, if the rentals vary from the straight-line basis, the Authority will recognize the income on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit from the leased property is diminished, in which case that basis will be used.

Initial indirect costs will be deferred and allocated over the lease term in proportion to the recognition of rental income. However, initial direct costs may be charged to expense as incurred if the effect is not materially different from that which would have resulted from the use of the method prescribed in the preceding sentence.

If the fair value of the property is less than its cost or carrying amount, then a loss equal to that difference will be recognized at the inception of the lease. As of March 31, 2017, the carrying amount of the leased property amounted to \$1,285,000.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 17. GAIN ON SALE OF CAPITAL ASSETS**

On September 14, 2016, the Authority sold a property located at 901-959 Convery Boulevard, Perth Amboy, (formerly known as Delaney Homes) to the Board of Education of the City of Perth Amboy. Total sales price for the property amounted to \$7,400,000 which resulted in a gain on sale of the property of \$7,347,667.

**NOTE 18. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees; and natural disaster. The Authority is a member of the New Jersey Public Housing Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of housing authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles for the previous three years.

**NOTE 19. CONTINGENCIES**

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of March 31, 2017, the Authority estimates that no material liabilities will result from such audits.

**NOTE 20. SUBSEQUENT EVENTS**

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through November 1, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



**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***

Board of Commissioners  
Housing Authority of the City of Perth Amboy:

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, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the City of Perth Amboy ("the Authority"), as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 1, 2017.

**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 opinion 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 severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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.

*Novogradac & Company LLP*

November 1, 2017  
Toms River, New Jersey



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
STATE OF NEW JERSEY OMB CIRCULAR 15-08**

Board of Commissioners  
Housing Authority of the City of Perth Amboy:

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

We have audited the Housing Authority of the City of Perth Amboy's ("the Authority") compliance with the types of compliance requirements described in the 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, 2017. 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**

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

**Auditors' 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. 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 Housing Authority of the City of Perth Amboy 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, 2017.

### **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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Novogradec & Company LLP*

November 1, 2017  
Toms River, New Jersey

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2017**

Federal Grantor/Program Title	Federal CFDA Number	State Pass-through Number	Grant Period		Grant Award	Fiscal Year Expenditures	Cumulative Expenditures
			From	To			
U.S. Department of Housing and Urban Development							
Public and Indian Housing:							
NJ006-00000117D	14.850	N/A	1/1/17	12/31/17	\$ 290,928	\$ 225,994	\$ 225,994
NJ006-00000116D	14.850	N/A	1/1/16	12/31/16	1,032,585	765,001	1,032,585
NJ006-00001317D	14.850	N/A	1/1/17	12/31/17	27,102	19,860	19,860
NJ006-00001316D	14.850	N/A	1/1/16	12/31/16	88,396	66,300	88,396
NJ006-00400517D	14.850	N/A	1/1/17	12/31/17	163,547	129,510	129,510
NJ006-00400516D	14.850	N/A	1/1/16	12/31/16	577,808	430,565	577,808
Grant subtotal					2,180,366	1,637,230	2,074,153
Section 8 Housing Choice Voucher Program:							
NJ006-2FPH-2016	14.871	N/A	4/1/16	3/31/17	11,012,946	13,807,188	13,807,188
Public Housing Capital Fund Program:							
NJ39P006501-13	14.872	N/A	9/9/13	9/8/17	942,056	7,700	939,316
NJ39P006501-15	14.872	N/A	3/12/15	3/11/19	705,642	389,151	696,069
NJ39P006501-16	14.872	N/A			715,832	120,000	120,000
Grant subtotal					2,363,530	516,851	1,755,385
Resident Opportunity and Supportive Services:							
NJ006RFSH142A015	14.870	N/A	12/7/15	12/31/16	191,458	141,651	191,458
NJ006RFSH407A016	14.870	N/A	7/18/16	12/31/17	191,458	49,386	31,203
Grant subtotal					382,916	191,037	222,661
Community Development Block Grant:							
Housing Counseling Assistance Program	14.218	N/A	6/1/16	5/31/17	18,361	18,361	18,361
U.S. Department of Homeland Security							
Disaster Housing Assistance Grant:							
PA4264PW7-FEMA-4264	97.109	N/A	X/X/X	X/X/X	6,880	6,880	6,880
Totals					\$ 15,964,999	\$ 16,177,547	\$ 17,884,628

See accompanying notes to schedule of expenditures of federal awards.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Housing Authority of the City of Perth Amboy under programs of the federal government for the year ended March 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Housing Authority of the City of Perth Amboy, it is not intended to and does not present the financial position, changes in net position or cash flows of the Housing Authority of the City of Perth Amboy. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3. INDIRECT COST RATE**

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

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE 4. NOTES TO SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES**

The total amount of Capital Fund Program Costs and Advances incurred and earned by the Perth Amboy Housing Authority as of and for the year ended March 31, 2017 are provided herein.

	<u>501-13</u>	<u>501-15</u>	<u>501-16</u>	<u>Totals</u>
Budget	\$ <u>942,056</u>	\$ <u>705,642</u>	\$ <u>715,832</u>	\$ <u>2,363,530</u>
<u>Advances:</u>				
Cumulative through 3/30/16	\$ 931,616	\$ 306,918	\$ -	\$ 1,238,534
Current Year	<u>7,700</u>	<u>389,151</u>	<u>120,000</u>	<u>516,851</u>
Cumulative through 3/31/17	<u>939,316</u>	<u>696,069</u>	<u>120,000</u>	<u>1,755,385</u>
<u>Costs:</u>				
Cumulative through 3/30/16	931,616	306,918	-	1,238,534
Current Year	<u>7,700</u>	<u>389,151</u>	<u>120,000</u>	<u>516,851</u>
Cumulative through 3/31/17	<u>939,316</u>	<u>696,069</u>	<u>120,000</u>	<u>1,755,385</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

- 1) The total amount of Capital Fund Program Costs and Advances incurred and earned by the Housing Authority of the City of Perth Amboy as of and for the year ended March 31, 2017 are provided herein.
- 2) Capital Fund Grant No. NJ39P006501-14 with an approved funding of \$904,210 has been fully drawn down and expended as per Capital Fund Grant Regulations.

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
MARCH 31, 2017**

**I. Summary of Auditors' Results**

**Financial Statement Section**

- |    |  |            |
|----|--|------------|
| 1. | Type of auditors' report issued:   | Unmodified |
| 2. | Internal control over financial reporting  |            |
| a. | Material Weakness(es) identified?  | No         |
| b. | Were significant deficiencies identified not considered to be material weaknesses? | No         |
| 3. | Noncompliance material to the financial statements?                                | No         |

**Federal Awards Section**

- |    |  |            |
|----|--|------------|
| 1. | Internal Control over compliance:  |            |
| a. | Material weakness(es) identified?  | No         |
| b. | Were reportable conditions identified not considered to be material weaknesses?                    | No         |
| 2. | Type of auditors' report on compliance for major programs:   | Unmodified |
| 3. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No         |
| 4. | Identification of major programs:  |            |

**CFDA Number**

**Name of Federal Program**

14.871

Section 8 Housing Choice Vouchers

- |    |  |           |
|----|--|-----------|
| 5. | Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 |
| 6. | Auditee qualified as low-risk Auditee?                                   | No        |

**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
MARCH 31, 2017**

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards.

III. Federal Award Findings and Questioned Costs

None.

IV. Summary of Prior Year Audit Findings

None reported.



**HOUSING AUTHORITY OF THE CITY OF PERTH AMBOY  
REQUIRED PENSION INFORMATION  
MARCH 31, 2017**

**SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS\*\*\***

	March 31, <u>2015</u>	March 31, <u>2016</u>	March 31, <u>2017</u>
Contractually required contribution	\$ 227,703	\$ 234,166	\$ 243,708
Contributions in relation to the contractually required contribution	<u>227,703</u>	<u>234,166</u>	<u>243,708</u>
(Over) / under funded	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Authority's covered-employee payroll	\$ <u>1,711,276</u>	\$ <u>1,746,039</u>	\$ <u>1,717,481</u>
Contributions as a percentage of covered- employee payroll	<u>13.31 %</u>	<u>13.41 %</u>	<u>14.19 %</u>

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
FOR THE LAST TEN FISCAL YEARS\*\*\***

	March 31, <u>2015</u>	March 31, <u>2016</u>	March 31, <u>2017</u>
Authority's proportion of the net pension liability	<u>0.0267 %</u>	<u>0.0264 %</u>	<u>0.0274 %</u>
Authority's proportionate share of the net pension liability	\$ <u>5,005,694</u>	\$ <u>5,924,255</u>	\$ <u>8,124,773</u>
Authority's covered-employee payroll	\$ <u>1,711,276</u>	\$ <u>1,746,039</u>	\$ <u>1,717,481</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	<u>292.51 %</u>	<u>339.30 %</u>	<u>473.06 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>42.74 %</u>	<u>42.74 %</u>	<u>40.14 %</u>

\*\*\* = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

*See accompanying notes to financial statements.*

Perth Amboy Housing Authority									
NJ006									
Financial Data Schedule (FDS)									
March 31, 2017									
Line Item #	Account Description	Project Total	14 218 Community Development Block Grants/Entitlement Grants	14 870 Resident Opportunity and Supportive Services	14 871 HCV	1 Business Activities	COC	Elimination	TOTAL
<b>ASSETS:</b>									
<b>CURRENT ASSETS</b>									
Cash:									
111	Cash - unrestricted	\$ 2,131,007	\$ -	\$ -	\$ 817,804	\$ 208,680	\$ 74,873	\$ -	\$ 3,232,364
112	Cash - restricted - modernization and development	-	-	-	-	-	-	-	-
113	Cash - other restricted	7,175,868	-	-	759,524	-	-	-	7,935,392
114	Cash - tenant security deposits	133,481	-	-	-	-	-	-	133,481
115	Cash - restricted for payment of current liabilities	-	-	-	-	-	-	-	-
100	Total cash	9,440,356	-	-	1,577,328	208,680	74,873	-	11,301,237
Accounts and notes receivables:									
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-
122	Accounts receivable - HUD other projects	-	-	-	18,185	-	-	-	18,185
124	Accounts receivable - other government	93,992	-	-	1,656	-	-	-	95,648
125	Accounts receivable - miscellaneous	806,097	-	-	62,643	-	7,361	-	876,101
126	Accounts receivable - tenants	6,829	-	-	-	-	-	-	6,829
126.1	Allowance for doubtful accounts - tenants	(1,860)	-	-	-	-	-	-	(1,860)
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-
127	Notes and mortgages receivable - current	-	-	-	-	-	-	-	-
128	Fraud recovery	40,048	-	-	47,786	-	-	-	87,834
128.1	Allowance for doubtful accounts - fraud	(20,670)	-	-	(47,786)	-	-	-	(68,456)
129	Accrued interest receivable	-	-	-	-	-	144	-	144
120	Total receivables, net of allowances for doubtful accounts	924,436	-	-	82,484	-	7,505	-	1,014,425
Current investments									
131	Investments - unrestricted	-	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	230,316	-	-	8,723	-	33,830	-	272,869
143	Inventories	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-	-	-	-
145	Assets held for sale	-	-	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	10,595,108	-	-	1,668,535	208,680	116,208	-	12,588,531
NONCURRENT ASSETS									
Fixed assets:									
161	Land	1,083,531	-	-	-	-	-	-	1,083,531
162	Buildings	28,170,370	-	-	-	-	-	-	28,170,370
163	Furniture, equipment & machinery - dwelling	-	-	-	-	-	-	-	-
164	Furniture, equipment & machinery - administrator	302,238	-	-	10,495	-	127,670	-	440,403
165	Leasehold improvements	3,264,868	-	-	-	-	-	-	3,264,868
166	Accumulated depreciation	(18,104,394)	-	-	(8,047)	-	(91,600)	-	(18,204,041)
167	Construction in Progress	510,858	-	-	-	-	-	-	510,858
168	Infrastructure	-	-	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	15,227,471	5,288	-	2,448	-	36,070	-	15,271,277
Other non-current assets:									
171	Notes and mortgages receivable - non-current	2,469,964	-	-	-	-	-	-	2,469,964
174	Other assets	-	-	-	-	-	-	-	-
176	Investment in joint ventures	1,285,000	-	-	-	-	-	-	1,285,000
180	TOTAL NONCURRENT ASSETS	18,982,435	5,288	-	2,448	-	36,070	-	17,741,241
200	Deferred Outflow of Resources	1,081,815	-	-	587,438	-	649,154	-	2,318,407
290	TOTAL ASSETS	\$ 30,659,358	\$ 5,288	\$ -	\$ 2,258,421	\$ 208,680	\$ 801,432	\$ -	\$ 33,933,179

Perth Amboy Housing Authority										
NJ006										
Financial Data Schedule (FDS)										
March 31, 2017										
Line Item #	Account Description	Project Total	14 218 Community Development Block Grants/Entitlement Grants	14 870 Resident Opportunity and Supportive Services	14 871 HCV	I Business Activities	COCC	Elimination	TOTAL	
LIABILITIES AND EQUITY										
Liabilities:										
Current Liabilities:										
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable ≤ 90 days	97,751	-	-	5,394	-	12,076	-	-	115,221
313	Accounts payable > 90 days past due	-	-	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	44,318	-	-	19,186	-	23,645	-	-	87,149
322	Accrued compensated absences - current portion	175,333	-	-	26,714	-	81,632	-	-	283,679
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	1,599	-	-	-	-	1,599
332	Accounts payable - PHA projects	-	-	-	-	-	-	-	-	-
333	Accounts payable - other government	136,239	-	-	-	-	-	-	-	136,239
341	Tenant security deposits	133,481	-	-	-	-	-	-	-	133,481
342	Prepaid rents	125,231	-	-	-	-	500	-	-	125,731
343	Current portion of L-T debt - capital projects	140,000	-	-	-	-	-	-	-	140,000
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-	-	-	-	-
345	Other current liabilities	125,540	-	-	350,491	-	-	-	-	476,031
346	Accrued liabilities - other	-	-	-	-	-	10,440	-	-	10,440
347	Interprogram - due to	-	-	-	-	-	-	-	-	-
310	TOTAL CURRENT LIABILITIES	977,893	-	-	403,384	-	128,293	-	-	1,509,570
NONCURRENT LIABILITIES										
351	Long-term debt, net of current - capital projects	1,410,000	-	-	-	-	-	-	-	1,410,000
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-	-
353	Non-current liabilities- other	1,060,262	-	-	-	-	-	-	-	1,060,262
354	Accrued compensated absences - noncurrent	250,402	-	-	45,441	-	178,193	-	-	474,036
355	Loan Liability - Non Current	-	-	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-	-
357	Accrued pension and OPEB liabilities	3,759,400	-	-	2,090,436	-	2,274,937	-	-	8,124,773
350	TOTAL NONCURRENT LIABILITIES	6,480,064	-	-	2,135,877	-	2,453,130	-	-	11,069,071
360	TOTAL LIABILITIES	7,457,957	-	-	2,539,261	-	2,581,423	-	-	12,578,641
Deferred Inflow of Resources										
400		102,657	-	-	60,250	-	63,353	-	-	226,260
EQUITY:										
508 I	Invested in Capital Assets, Net of Related Debt	13,677,471	5,288	-	2,448	-	36,070	-	-	13,721,277
511 I	Restricted Net Assets	9,525,572	-	-	409,033	-	-	-	-	9,934,605
512 I	Unrestricted Net Assets	(104,299)	-	-	(752,571)	208,680	(1,879,414)	-	-	(2,527,604)
513	TOTAL EQUITY	23,098,744	5,288	-	(341,090)	208,680	(1,843,344)	-	-	21,128,278
600	TOTAL LIABILITIES AND EQUITY, DEFERRED	\$ 30,659,358	\$ 5,288	\$ -	\$ 2,258,421	\$ 208,680	\$ 801,432	\$ -	\$ -	\$ 33,933,179
Proof of concept										

<b>Perth Amboy Housing Authority</b>										
N.J006										
Financial Data Schedule (FDS)										
March 31, 2017										
Line Item #	Account Description	Project Total	14 218 Community Development Block Grants/Entitlement Grants	14 870 Resident Opportunity and Supportive Services	14 871 HCV	1 Business Activities	COC	Elimination	TOTAL	
<b>REVENUE:</b>										
70300	Net tenant rental revenue	\$ 1,880,547	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,880,547	
70400	Tenant revenue - other	55,624	-	-	-	-	-	-	55,624	
70500	Total tenant revenue	1,936,171	-	-	-	-	-	-	1,936,171	
70600	HUD PHA grants	1,952,113	-	191,037	11,012,946	-	-	-	13,156,096	
70610	Capital grants	201,968	-	-	-	-	-	-	201,968	
70710	Management fee	-	-	-	-	-	489,333	(489,333)	-	
70720	Asset management fee	-	-	-	-	-	17,640	(17,640)	-	
70730	Book keeping fee	-	-	-	-	-	113,857	(113,857)	-	
70740	Front Line Service Fee	-	-	-	-	-	-	-	-	
70750	Other fees	-	-	-	-	-	103,802	(103,802)	-	
70800	Other government grants	6,880	18,361	-	-	-	-	-	25,241	
71100	Investment income - unrestricted	23,297	-	-	5,457	-	11,968	-	40,722	
71200	Mortgage interest income	-	-	-	-	-	-	-	-	
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-	
71301	Cost of sale of assets	-	-	-	-	-	-	-	-	
71400	Fraud recovery	1,972	-	-	7,512	-	-	-	9,484	
71500	Other revenue	602,796	-	-	2,685,324	305,085	29,725	(351,833)	3,271,097	
71600	Gain or loss on sale of fixed assets	7,347,667	-	-	-	-	-	-	7,347,667	
72000	Investment income - restricted	19,526	-	-	-	-	-	-	19,526	
70000	<b>TOTAL REVENUE</b>	12,092,390	18,361	191,037	13,711,239	305,085	766,325	(1,076,465)	26,007,972	
<b>EXPENSES:</b>										
Administrative										
91100	Administrative salaries	337,260	17,030	-	364,423	144,382	438,442	-	1,301,537	
91200	Auditing fees	6,000	-	-	6,000	-	1,000	-	13,000	
91300	Outside management fees	357,585	-	-	131,748	-	-	(489,333)	-	
91310	Book-keeping fee	31,575	-	-	82,282	-	-	(113,857)	-	
91400	Advertising and marketing	1,011	-	-	-	-	1,022	-	2,033	
91500	Employee benefit contributions- administrative	206,661	1,331	-	384,125	42,309	241,782	-	876,208	
91600	Office expenses	139,745	-	-	213,679	-	229,564	(229,468)	353,520	
91700	Legal expenses	9,739	-	-	-	-	28,620	-	38,359	
91800	Travel	7,878	-	-	611	850	13,295	-	22,634	
91810	Allocated overhead	-	-	-	-	-	-	-	-	
91900	Other	15,361	-	-	110,708	15,480	4,542	-	146,091	
	Total administrative	1,112,815	18,361	-	1,293,576	203,021	958,267	(832,658)	2,753,382	
92000	Asset Management Fee	17,640	-	-	-	-	-	(17,640)	-	
Tenant services										
92100	Tenant services - salaries	-	-	133,396	-	-	-	-	133,396	
92200	Relocation costs	-	-	-	-	-	-	-	-	
92300	Employee benefit contributions- tenant services	-	-	57,641	-	-	-	-	57,641	
92400	Tenant services - other	6,877	-	-	-	-	-	-	6,877	
	Total tenant services	6,877	-	191,037	-	-	-	-	197,914	

Perth Amboy Housing Authority										
NJ006										
Financial Data Schedule (FDS)										
March 31, 2017										
Line Item #	Account Description	Project Total	14 218 Community Development Block Grants/Entitlement Grants	14 870 Resident Opportunity and Supportive Services	14 871 HCV	1 Business Activities	COCC	Elimination	TOTAL	
	Utilities									
93100	Water	356,967	-	-	-	-	-	-	356,967	
93200	Electricity	387,447	-	-	-	-	-	-	387,447	
93300	Gas	253,885	-	-	-	-	-	-	253,885	
93400	Fuel	-	-	-	-	-	-	-	-	
93500	Labor	-	-	-	-	-	-	-	-	
93600	Sewer	235,265	-	-	-	-	-	-	235,265	
93700	Employee benefit contributions- utilities	-	-	-	-	-	-	-	-	
93800	Other utilities expense	3,500	-	-	-	-	-	-	3,500	
	Total utilities	1,237,064	-	-	-	-	-	-	1,237,064	
	Ordinary maintenance & operation									
94100	Ordinary maintenance and operations - labor	610,873	-	-	-	-	-	-	610,873	
94200	Ordinary maintenance and operations - materials & other	141,986	-	-	-	-	-	-	141,986	
94300	Ordinary maintenance and operations - contract costs	490,015	-	-	-	-	-	-	490,015	
94500	Employee benefit contributions- ordinary maintenance	398,133	-	-	-	-	-	-	398,133	
	Total ordinary maintenance	1,641,007	-	-	-	-	-	-	1,641,007	
	General expenses									
96100	Insurance premiums	142,338	-	-	29,817	-	15,110	-	187,265	
96200	Other general expenses	354,975	-	-	36,103	-	146,550	-	537,628	
96210	Compensated absences	9,480	-	-	7,692	-	22,840	-	40,012	
96300	Payments in lieu of taxes	69,911	-	-	-	-	-	-	69,911	
96400	Bad debt - tenant rents	625	-	-	-	-	-	-	625	
96500	Bad debt- mortgages	-	-	-	-	-	-	-	-	
96600	Bad debt - other	2,104	-	-	-	-	-	-	2,104	
96700	Interest expense	-	-	-	-	-	-	-	-	
96710	Interest of Mortgage (or bonds) Payable	75,888	-	-	-	-	-	-	75,888	
96800	Severance expense	-	-	-	-	-	-	-	-	
	Total general expenses	655,321	-	-	73,612	-	184,500	-	913,433	
96900	TOTAL OPERATING EXPENSES	4,670,724	18,361	191,037	1,367,188	203,021	1,142,767	(1,076,465)	6,516,633	
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	7,421,666	-	-	12,344,051	102,064	(376,442)	-	19,491,339	
97100	Extraordinary maintenance	-	-	-	-	-	-	-	-	
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-	-	
97300	Housing assistance payments	-	-	-	9,972,942	-	-	-	9,972,942	
97350	HAP Portability - in	-	-	-	2,467,058	-	-	-	2,467,058	
97400	Depreciation expense	1,086,732	-	-	2,099	-	15,326	-	1,104,157	
97500	Fraud losses	-	-	-	-	-	-	-	-	
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-	
99000	TOTAL EXPENSES	5,757,456	18,361	191,037	13,809,287	203,021	1,158,093	(1,076,465)	20,060,790	

Perth Amboy Housing Authority										
NJ006										
Financial Data Schedule (FDS)										
March 31, 2017										
Line Item #	Account Description	Project Total	14 218 Community Development Block Grants/Entitlement Grants	14 870 Resident Opportunity and Supportive Services	14 871 HCV	1 Business Activities	COCC	Elimination	TOTAL	
OTHER FINANCING SOURCES (USES)										
10010	Operating transfers in	141,000	-	-	-	-	165,655	-	-	306,655
10020	Operating transfers out	(306,655)	-	-	-	-	-	-	-	(306,655)
10030	Operating transfers from/to primary government	-	-	-	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-	-	-	-	-
10091	Inter Project excess cash transfer in	1,000,000	-	-	-	-	-	-	-	1,000,000
10092	Inter Project excess cash transfer out	(1,000,000)	-	-	-	-	-	-	-	(1,000,000)
10093	Transfers between program and project in	-	-	-	-	-	-	-	-	-
10094	Transfers between program and project out	-	-	-	-	-	-	-	-	-
10100	TOTAL OTHER FINANCING SOURCES (USES)	(165,655)	-	-	-	-	165,655	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	6,169,279	-	-	(98,048)	102,064	(226,113)	-	-	5,947,182
MEMO ACCOUNT INFORMATION:										
11020	Required annual debt principal payments	135,000	-	-	-	-	-	-	-	135,000
11030	Beginning equity	16,929,465	5,288	-	(243,042)	106,616	(1,617,231)	-	-	15,181,096
11040	Prior period adjustments and equity transfers	-	-	-	-	-	-	-	-	-
11170	Administrative fee equity	-	-	-	(750,123)	-	-	-	-	(750,123)
11180	Housing assistance payments equity	-	-	-	409,033	-	-	-	-	409,033
11190	Unit months available	4,866	-	-	11,040	-	-	-	-	15,906
11210	Number of unit months leased	4,759	-	-	10,971	-	-	-	-	15,730
Equity Roll Forward Test										
Calculation from R/E Statement										
		\$ 23,098,744	\$ 5,288	\$ -	\$ (341,090)	\$ 208,680	\$ (1,843,344)	\$ -	\$ 21,128,278	\$
		\$ 23,098,744	\$ 5,288	\$ -	\$ (341,090)	\$ 208,680	\$ (1,843,344)	\$ -	\$ 21,128,278	\$
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$