

Report On Audit

**HOUSING AUTHORITY OF THE
TOWN OF GUTTENBERG**

**For the Year Ended
March 31, 2017**

Housing Authority of the Town of Guttenberg
Table of Contents

| | <u>Page Number</u> |
|--|------------------------|
| Independent Auditor's Report | 1-3 |
| Management's Discussion and Analysis | 4-17 |
| Financial Statements | |
| Statement of Net Position | 18-19 |
| Statement of Revenue, Expenses and Changes in Net Position | 20 |
| Statement of Cash Flow | 21-22 |
| Notes to Financial Statements | 23-55 |
| Supplementary Information | |
| Schedule of Expenditures of Federal Awards | 56-57 |
| Schedule of Proportionate Share of the Net Pension Liability Of the Public Employee Retirement System (PERS) | 58-59 |
| Statement on Certification of Actual Cost Capital Fund Program | 60-61 |
| Financial Data Schedule | 62-66 |
| Other Reports and Comments | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> | 67-68 |
| Independent Auditors Report on Compliance for each Major Program and on Internal Control over Compliance Required by Uniform Guidance | 69-71 |
| Schedule of Findings and Questioned Cost | 72 |
| Independent Accountant's Report on Applying Agreed-upon Procedures – REAC | 73-74 |



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Town of Guttenberg
6900 Broadway
Guttenberg, New Jersey 07093

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Town of Guttenberg (a governmental public corporation) in Guttenberg, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of March 31, 2017, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the Town of Guttenberg 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 Housing Authority of the Town of Guttenberg 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 respective financial position of the Housing Authority of the Town of Guttenberg as of March 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof 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 and PERS supplemental information on pages 4 through 17 and pages 58-59 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 accepted in the United States of America, which consisted of inquiries of management about the method 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued reports dated October 13, 2017 on our consideration of the Housing Authority of the Town of Guttenberg internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the Town of Guttenberg's internal control over financial reporting and compliance.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: October 13, 2017

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

As Management of the Housing Authority of the Town of Guttenberg (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 18 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$4,466,727 a decrease in the financial position of \$870,972 or 16% percent as compared to the prior year.

As noted above, the net position of the Authority was \$4,466,727 as of March 31, 2017. Of this amount, the unrestricted net position is a negative (\$1,864,825) representing an increase in the deficit of \$239,423 or 15% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 19 the financial statements, which is included in this report.

The net investment in capital assets decreased \$637,120 or 9% percent for an ending balance of \$6,305,409.

The restricted net position increased \$5,571 from the previous year for an ending balance of \$26,143. Additional information on the Authority's restricted net position can be found in Note 18 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at March 31, 2017 is \$1,112,158 representing an increase of \$47,718 or 4% percent from the prior fiscal year. Total restricted cash and cash equivalents increased \$8,788 or 7% for an ending balance of \$126,149. The full detail of this amount can be found in the Statement of Cash Flow on pages 21-22 of this report.

The Authority's total assets and deferred outflows are \$8,954,608 of which capital assets net book value is \$6,305,409, deferred outflows in the amount of \$1,229,674, leaving total current assets at \$1,419,525. Total current assets decreased from the previous year by \$27,385 or 2% percent. Unrestricted cash and cash equivalents increased by \$47,718, restricted cash and cash equivalents increased \$8,788, accounts receivables decreased by \$12,413, and prepaid expenses decreased by \$71,478.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

FINANCIAL HIGHLIGHTS - CONTINUED

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$637,120 or 8% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$79,501, less the recording of depreciation expense in the amount of \$716,621. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

The Authority reported an increase in the deferred outflow for the pension cost in the amount of \$722,757 for an ending balance of \$1,229,674. The Authority also reported a decrease in the deferred inflow for the pension cost in the amount of \$95,620 for an ending balance of \$228,925. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements section Note – 9 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$4,258,956, of which noncurrent liabilities are stated at \$3,708,811. Total liabilities increased during the year as compared to the prior year in the amount of \$1,024,484, or 32% percent. Total current liabilities decreased during the year by \$15,058, leaving non-current liabilities for an increase of \$1,039,542 as compared to the previous year.

Total current liabilities decreased from the previous year by \$15,058 or 3% percent. Accounts payables decreased by \$59,009, accrued liabilities increased \$47,369, tenant security deposit payable increased \$3,217, and unearned revenue decreased \$6,635.

Total noncurrent liabilities increased by \$1,039,542 or 39% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$58,014, with no offsetting assets, decreased \$86,901 from the previous year.

Accrued pension and OPEB liabilities increased \$1,126,443 or 45% percent. Additional information on GASB 68's effect and the Authority's accrued pension as well as the increase in accrued OPEB liability at March 31, 2017 can be found in Notes 16-17 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$4,485,348 as compared to \$4,650,353 from the prior year for a decrease of \$165,005 or 4% percent. The Authority had total operating expenses of \$5,431,744 as compared to \$5,605,814 from the previous year for a decrease of \$174,070 or 3% percent, resulting in a deficiency of revenue from operations in the amount of \$946,396 for the current year as compared to excess expenses over revenue from operations in the amount of \$955,461 for a decrease in deficit of \$9,065 or 1% percent from the previous year.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

FINANCIAL HIGHLIGHTS - CONTINUED

Total capital improvements contributions from HUD were in the amount of \$79,501 as compared to \$176,663 from the previous year for a decrease of \$97,162 or 55% percent. The Authority's had capital outlays in the amount of \$79,501 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development in the amount of \$79,501. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$2,971,200 for the fiscal year 2017 as compared to \$3,145,476 for the previous fiscal year 2016 for a decrease of \$174,276 or 6% percent.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Public and Indian Housing Program
2. Section 8 Housing Choice Voucher Program
3. Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash Flow
- 4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's 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 financial statements can be found on pages 18 through 22.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

Statement of Net Position – This statement presents information on the Authority's total of assets and deferred outflow of resources, and total of liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

Statement of Cash Flow– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current year (i.e. accounts receivable, notes receivable, etc.).

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 23 through 55.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 56-57 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Town of Guttenberg are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended March 31, 2017. Type B programs for the Housing Authority of the Town of Guttenberg are those which are less than \$750,000 in expenditures for the fiscal year ended March 31, 2017.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between March 31, 2017 and March 31, 2016:

Computations of Net Position are as follows:

| | Year Ended | | Increase |
|----------------------------------|---------------------|---------------------|---------------------|
| | March-17 | March-16 | (Decrease) |
| Cash | \$ 1,238,307 | \$ 1,181,801 | \$ 56,506 |
| Other Current Assets | 181,218 | 265,109 | (83,891) |
| Capital Assets - Net | 6,305,409 | 6,942,529 | (637,120) |
| Deferred Outflows | 1,229,674 | 506,917 | 722,757 |
| Total Assets | 8,954,608 | 8,896,356 | 58,252 |
| Less: Current Liabilities | (550,145) | (565,203) | 15,058 |
| Less: Non Current Liabilities | (3,708,811) | (2,669,269) | (1,039,542) |
| Less: Deferred Inflows | (228,925) | (324,185) | 95,260 |
| Net Position | <u>\$ 4,466,727</u> | <u>\$ 5,337,699</u> | <u>\$ (870,972)</u> |
| | | | |
| Net Investment in Capital Assets | \$ 6,305,409 | \$ 6,942,529 | \$ (637,120) |
| Restricted Net Position | 26,143 | 20,572 | 5,571 |
| Unrestricted Net Position | (1,864,825) | (1,625,402) | (239,423) |
| Net Position | <u>\$ 4,466,727</u> | <u>\$ 5,337,699</u> | <u>\$ (870,972)</u> |

Cash increased by \$56,506 or 5% percent. Net cash used by operating activities was \$164,159, net cash provided by capital and related financing activities was \$203,900, and net cash provided by investing activities was \$16,765. The full detail of these amounts can be found in the Statement of Cash Flow on pages 21-22 of this audit report.

Other current assets decreased \$83,891. Accounts receivables decreased by \$12,413, and prepaid expenses decreased by \$71,478.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$637,120 or 8% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$79,501, less the recording of depreciation expense in the amount of \$716,621. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

The Authority reported an increase in the deferred outflow for the pension cost in the amount of \$722,757 for an ending balance of \$1,229,674. The Authority also reported a decrease in the deferred inflow for the pension cost in the amount of \$95,620 for an ending balance of \$228,925.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total current liabilities decreased from the previous year by \$15,058 or 3% percent. Accounts payables decreased by \$59,009, accrued liabilities increased \$47,369, tenant security deposit payable increased \$3,217, and unearned revenue decreased \$6,635.

Total noncurrent liabilities increased by \$1,039,542 or 39% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$58,014, with no offsetting assets, decreased \$86,901 from the previous year.

Accrued pension and OPEB liabilities increased \$1,126,443 or 45% percent. Additional information on GASB 68's effect and the Authority's accrued pension as well as the increase in accrued OPEB liability at March 31, 2017 can be found in Notes 16-17 to the financial statements, which is included in this report.

The Authority's reported net position of \$4,466,727 is made up of three categories. The net investment in capital assets in the amount of \$6,305,409 represents 141% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

| | |
|--------------------------|--------------|
| Balance March 31, 2016 | \$ 6,942,529 |
| Fixed Asset Acquisitions | 79,501 |
| Depreciation Expense | (716,621) |
| Balance March 31, 2017 | \$ 6,305,409 |

The Authority reported a decrease in its unrestricted position in the amount of \$239,423 or 15% percent resulting in an ending balance in the amount of negative (\$1,864,825). A full detail of this account can be found in the Notes to the Financial Statements section Note – 19.

The Authority reported restricted position in the amount of \$26,143 which increased \$5,571 or 27% percent compared to the prior fiscal year. A full detail of this account can be found in the Notes to the Financial Statements section Note – 18.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between March 31, 2017 and March 31, 2016:

Computation of Changes in Net Position are as follows:

| | <u>Year Ended</u> | | Increase |
|---|---------------------|---------------------|---------------------|
| | March-17 | March-16 | (Decrease) |
| <u>Revenues</u> | | | |
| Tenant Revenues | \$ 1,460,040 | \$ 1,459,653 | \$ 387 |
| HUD Subsidies | 2,891,699 | 2,968,813 | (77,114) |
| Other Revenues | 133,609 | 221,887 | (88,278) |
| Total Operating Income | <u>4,485,348</u> | <u>4,650,353</u> | <u>(165,005)</u> |
| <u>Expenses</u> | | | |
| Operating Expenses | 4,715,123 | 4,933,598 | (218,475) |
| Depreciation Expense | 716,621 | 672,216 | 44,405 |
| Total Operating Expenses | <u>5,431,744</u> | <u>5,605,814</u> | <u>(174,070)</u> |
| Operating Income before Non Operating Expenses | (946,396) | (955,461) | 9,065 |
| Extraordinary Maintenance | (17,625) | - | (17,625) |
| Interest Income | 13,548 | 16,426 | (2,878) |
| HUD Capital Grants | 79,501 | 176,663 | (97,162) |
| Change in Net Position | (870,972) | (762,372) | (108,600) |
| Net Position Prior Year | 5,337,699 | 7,886,596 | (2,548,897) |
| Prior Period Adjustment | - | (1,786,525) | 1,786,525 |
| Total Net Position | <u>\$ 4,466,727</u> | <u>\$ 5,337,699</u> | <u>\$ (870,972)</u> |

Approximately 64% percent of the Authority's total revenue was provided by HUD operating subsidy, while 33% percent resulted from tenant revenue. Charges for various services and fraud recovery provided for the remaining 3% percent of the total operating income.

The Housing Authority of the Town of Guttenberg received capital fund improvement grant money during the year in the amount of \$79,501 as compared to \$176,663 for the previous year.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 35% percent of total operating expenses. Administrative expenses accounted for 21% percent, utilities expense accounted for 11% percent, maintenance expense accounted for 16% percent, protective services accounted for less than 1% percent, other operating expenses accounted for 3% percent, and depreciation accounted for the remaining 13% of the total operating expenses.

The Authority operating expenses exceeded its operating revenue resulting in excess expenses over revenue from operations in the amount of \$946,396 from operations as compared to excess expenses over revenue from operations of \$955,461 for the previous year. The key elements to the decrease in deficit in comparison to the prior year are as follow:

- The Authority reported decreases in other revenue in the amount of \$88,278 mainly due to a reduction in the portability income from the Housing Choice Voucher program.
- The Authority's operating grants received from HUD decreased \$77,114 or 3% percent.
- The Authority saw decreases in the following expenses:
 - Administrative decreased \$254,637 or 18% percent.
 - Utilities decreased \$45,694 or 7% percent.
- The Authority saw increases in the following expenses:
 - Maintenance expense increased \$75,729 or 10% percent.
 - Housing Assistance Payments increased \$2,259 or less than 1% percent.

Total net cash used by operating activities during the year was \$164,159. A full detail of this amount can be found on the Statement of Cash Flow on pages 21-22 of this report.

Overall the Authority reported a decrease in unrestricted net position of \$239,423 for an ending balance of negative \$(1,864,825). Additional information on the Authority's unrestricted net position can be found in Note 19 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four year period of time ending on March 31, 2017:

| | March-17 | March-16 | March-15 | March-14 |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| Significant Income | | | | |
| Total Tenant Revenue | \$ 1,460,040 | \$ 1,459,653 | \$ 1,321,231 | \$ 1,319,006 |
| HUD Operating Grants | 2,891,699 | 2,968,813 | 2,908,015 | 3,154,131 |
| HUD Capital Grants | 79,501 | 176,663 | 141,524 | 371,828 |
| Investment Income | 13,548 | 16,426 | 18,135 | 14,587 |
| Other Income | 133,609 | 221,887 | 316,786 | 498,759 |
| Total | \$ 4,578,397 | \$ 4,843,442 | \$ 4,705,691 | \$ 5,358,311 |
| Payroll Expense | | | | |
| Administrative Salaries | \$ 308,542 | \$ 532,438 | \$ 429,163 | \$ 579,753 |
| Utilities Labor | 35,256 | 40,865 | 32,307 | 35,757 |
| Maintenance Labor | 286,442 | 309,046 | 263,293 | 267,379 |
| Employee Benefits Expense | 794,125 | 781,094 | 370,571 | 441,649 |
| Total Payroll Expense | \$ 1,424,365 | \$ 1,663,443 | \$ 1,095,334 | \$ 1,324,538 |
| Other Significant Expenses | | | | |
| Other Administrative Expenses | \$ 469,194 | \$ 394,154 | \$ 454,836 | \$ 405,237 |
| Utilities Expense | 516,592 | 558,558 | 533,756 | 595,173 |
| Maintenance Materials Cost | 58,432 | 116,580 | 84,144 | 29,283 |
| Maintenance Contract Cost | 112,166 | 72,616 | 102,188 | 100,317 |
| Insurance Premiums | 117,264 | 106,060 | 91,988 | 83,765 |
| Housing Assistance Payments | 1,894,185 | 1,891,926 | 2,048,775 | 2,169,560 |
| Total | \$ 3,167,833 | \$ 3,139,894 | \$ 3,315,687 | \$ 3,383,335 |
| Total Operating Expenses | \$ 5,431,744 | \$ 5,605,814 | \$ 5,171,572 | \$ 5,446,112 |
| Total of Federal Awards | \$ 2,971,200 | \$ 3,145,476 | \$ 3,049,539 | \$ 3,525,959 |

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and 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.

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 reported as "Net Investment in Capital Assets" and are not available for future spending. The unrestricted position of the Authority is available for future use to provide program services.

THE HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG PROGRAMS

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the Town of Guttenberg flat rent amount.

Section 8 Housing Choice Voucher Program:

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments and homes to keep them clean, safe and in good condition.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

BUDGETARY HIGHLIGHTS

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

The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

NEW INITIATIVES

For the year 2017 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 65% percent of its revenue from the Department of Housing and Urban Development, (2016 was 65% percent), the Authority is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services. Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the Town of Guttenberg all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of March 31, 2017 was \$6,305,409 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total decreased during the year in the Authority's investment in capital assets, for the current year was \$637,120 or 9% percent. Major capital expenditures of \$79,501 were made during the year. Major capital assets events during the fiscal year included the following:

- Underground Storage Removal
- Laundry Machines Replacement
- HVAC Improvements
- Replacement of Computer Equipment

| | March-17 | March-16 | Variance |
|---------------------------------------|---------------------|---------------------|---------------------|
| Land | \$ 533,472 | \$ 533,472 | \$ - |
| Building | 17,258,271 | 17,063,938 | 194,333 |
| Furniture, Equipment - Dwelling | 356,581 | 356,581 | - |
| Furniture, Equipment - Administration | 298,112 | 298,112 | - |
| Leasehold Improvements | 892,755 | 892,755 | - |
| Construction in Process | 332,321 | 447,153 | (114,832) |
| Total Fixed Assets | 19,671,512 | 19,592,011 | 79,501 |
| Accumulated Depreciation | (13,366,103) | (12,649,482) | (716,621) |
| Net Book Value | <u>\$ 6,305,409</u> | <u>\$ 6,942,529</u> | <u>\$ (637,120)</u> |

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements, which is included in this report.

2 - Debt Administration

As of March 31, 2017 the Authority had no outstanding debt.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT MARCH 31, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of Town of Guttenberg is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

The capital budgets for the 2018 year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

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

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

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 Mr. Carl Czaplicki, Executive Director, Housing Authority of the Town of Guttenberg, 6900 Broadway, Guttenberg, New Jersey 07093, or call (201) 861-0900.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
STATEMENT OF NET POSITION - 1
AS MARCH 31, 2017

| | 2017 |
|--|--------------|
| Assets | |
| Current Assets: | |
| Cash, Cash Equivalents - Unrestricted | \$ 1,112,158 |
| Cash, Cash Equivalents - Restricted | 126,149 |
| Accounts Receivables, Net of Allowances | 83,194 |
| Prepaid Expenses | 98,024 |
| Total Current Assets | 1,419,525 |
| Noncurrent Assets | |
| Capital Assets | |
| Land | 533,472 |
| Building | 17,258,271 |
| Furniture, Equipment - Dwelling | 356,581 |
| Furniture, Equipment - Administration | 298,112 |
| Leasehold Improvements | 892,755 |
| Construction in Process | 332,321 |
| Total Capital Assets | 19,671,512 |
| Less: Accumulated Depreciation | (13,366,103) |
| Net Book Value | 6,305,409 |
| Total Assets | 7,724,934 |
| Deferred Outflow of Resources | |
| State of New Jersey P.E.R.S. | 1,229,674 |
| Total Assets and Deferred Outflow of Resources | \$ 8,954,608 |

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
STATEMENT OF NET POSITION - 2
AS MARCH 31, 2017

| | 2017 |
|---|--------------|
| Liabilities | |
| Current Liabilities: | |
| Accounts Payable | \$ 383,277 |
| Accrued Liabilities | 63,470 |
| Tenant Security Deposit Payable | 100,006 |
| Unearned Revenue | 3,392 |
| Total Current Liabilities | 550,145 |
| Noncurrent Liabilities | |
| Accrued Compensated Absences - Long-Term | 58,014 |
| Accrued Other Post-Employment Benefits Liabilities | 3,650,797 |
| Total Noncurrent Liabilities | 3,708,811 |
| Total Liabilities | 4,258,956 |
| Deferred Inflow of Resources | |
| State of New Jersey P.E.R.S. | 228,925 |
| Net Position: | |
| Net Investment in Capital Assets | 6,305,409 |
| Restricted | 26,143 |
| Unrestricted | (1,864,825) |
| Total Net Position | 4,466,727 |
| Total Liabilities, Deferred Inflow of Resources, and Net Position | \$ 8,954,608 |

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED MARCH 31, 2017**

| | 2017 |
|--|------------------|
| Revenue: | |
| Tenant Rental Revenue | \$ 1,460,040 |
| HUD PHA Operating Grants | 2,891,699 |
| Other Revenue | 133,609 |
| Total Revenue | 4,485,348 |
| Operating Expenses: | |
| Administrative Expense | 1,136,623 |
| Utilities Expense | 596,873 |
| Maintenance Expense | 847,253 |
| Protective Services | 26,820 |
| Other Operating Expenses | 213,369 |
| Housing Assistance Payments | 1,894,185 |
| Depreciations Expense | 716,621 |
| Total Operating Expenses | 5,431,744 |
| Excess Expenses Over Revenue From Operations | (946,396) |
| Non Operating Income and (Expenses): | |
| Investment Income | 13,548 |
| Capital Grants | 79,501 |
| Extraordinary Maintenance Expense | (17,625) |
| Total Non Operating Income | 75,424 |
| Change in Net Position | (870,972) |
| Beginning Net Position | 5,337,699 |
| Ending Net Position | \$ 4,466,727 |

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
STATEMENT OF CASH FLOW - 1
FOR THE TWELVE MONTHS ENDED MARCH 31, 2017

| | 2017 |
|--|--------------|
| Cash Flow From Operating Activities | |
| Receipts from Tenants | \$ 1,473,434 |
| Receipts from Federal Grants | 2,846,719 |
| Receipts from Misc. Sources | 101,570 |
| Payments to Vendors and Suppliers | (750,740) |
| Payments for Housing Assistance Payments | (1,894,185) |
| Payments to Employees | (630,240) |
| Payment of Employee Benefits | (794,125) |
| Payments for Utilities | (516,592) |
| Net Cash Used by Operating Activities | (164,159) |
| Cash Flow From Capital and Related Financing Activities | |
| Receipts from Capital Grants | 79,501 |
| Acquisitions and Construction of Capital Assets | (79,501) |
| Increase in Accrued Other Post-Employment Benefits Liabilities | 1,126,443 |
| (Decrease) in Compensated Absences | (86,901) |
| Net Effect of Deferred Inflows and Outflows | (818,017) |
| Payment of Extraordinary Maintenance Expense | (17,625) |
| Net Cash Provided by Capital and Related Financing Activities | 203,900 |
| Cash Flow From Investing Activities | |
| Interest Income | 13,548 |
| Net Change in Security and Escrow Accounts | 3,217 |
| Net Cash Provided by Investing Activities | 16,765 |
| Net Increase in Cash and Cash Equivalents | 56,506 |
| Beginning Cash | 1,181,801 |
| Ending Cash | \$ 1,238,307 |
| <u>Reconciliation of Cash Balances:</u> | |
| Cash and Cash Equivalents - Unrestricted | \$ 1,112,158 |
| Tenant Security Deposit | 100,006 |
| HCV HAP Reserves | 26,143 |
| Total Ending Cash | \$ 1,238,307 |

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
STATEMENT OF CASH FLOW
FOR THE TWELVE MONTHS ENDED MARCH 31, 2017

| | 2017 |
|--|--------------|
| Reconciliation of Operating Income to Net Cash | |
| (Used) by Operating Activities | |
| Excess of Expenses Over Revenue | \$ (946,396) |
| Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities: | |
| Depreciation Expense | 716,621 |
| (Increase) Decrease in: | |
| Accounts Receivables | 12,413 |
| Prepaid Expenses | 71,478 |
| Increase (Decrease) in: | |
| Accounts Payable | (59,009) |
| Accrued Liabilities | 47,369 |
| Unearned Revenue | (6,635) |
| Net Cash Used by Operating Activities | \$ (164,159) |

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization - The Authority is a governmental, public corporation which was organized under the laws 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 Town of Guttenberg in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low and moderate income families residing in the Town of Guttenberg. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of Guttenberg and Town Council, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the Town of Guttenberg reporting entity.

Based on the following criteria, the Authority has not identified an entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The organization is fiscal dependency on the primary government.
- C. The organization has potential to impose a financial benefit or burden on the primary government.
- D. The organization meets the financial accountability criteria for inclusion as a component unit of the primary government.
- E. The primary government is able to impose its will on the organization.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. 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.

In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority incorporates FASB and AICPA guidance into GASB authoritative literature.

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

Both administrative fees and HAP revenue continue to be recognized under the guidelines set forth in GASB Statement No. 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 Section 8 Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fees and HAP revenue in the reporting period as revenue for financial statement reporting.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

Significant Accounting Policies -Continued

The Authority adopted Statement No. 68 of the Governmental Accounting Standards Board "*Accounting and Financial Reporting for Pensions.*" The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with pension plans of State and Local Governments. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions.

Basis of Accounting –

In Enterprise fund, activities are recorded using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, capital grants, and other revenue.

HUD's rent subsidy program provides housing to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts:

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Housing Authority of the Town of Guttenberg's flat rent amount.

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by March 31, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

Basis of Accounting – Continued

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program income are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract.

Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

Other revenue composed primarily of miscellaneous services fees and residents late charges. The revenue is recorded as earned since it is measurable and available. Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non exchange transactions or ancillary activities.

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e. property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary funds under the Enterprise Fund.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

Report Presentation -

The Authority's financial statements are prepared in accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement 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 a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" Statement No.38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which supplements GASB Statement No. 34.

The Authority's basic financial statements are presented on an entity-wide basis consisting of various housing programs. The financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. In accordance with GASB Statement No. 34, the report includes Management's Discussion and Analysis. The Authority has implemented the general provisions of GASB Statement No. 34.

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" Statement No.38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which supplements GASB Statement No. 34.

GASB Statement No. 34 established standards for external financial reporting for all State and Local Governments entities that includes a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flow. GASB Statement No. 63 requires the classification of "net assets" into "net position" which consists of three components, Net Investment in Capital Assets, Restricted, and Unrestricted.

The adoptions of Statement No. 34, Statement No. 37, Statement No. 38, and Statement No. 63 have no significant effect on the financial statements except, for the classification of net position in accordance with Statement No. 63.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

Report Presentation - Continued

Net Investment in Capital Assets.

The net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

Restricted Net Position

The net position less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations.

Unrestricted Net Position

The net position consists of net assets that do not meet the definition of Restricted Net Position or Net Investment in Capital Assets.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are which are included as Supplemental information.

Other accounting policies are as follows

- 1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.
- 2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.
- 3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.
- 4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.
- 5 – Operating subsidies received from HUD are recorded as income when earned.
- 6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.
- 7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

Other accounting policies - Continued

8 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of accounting Procedure issued after November 30, 1989.

9 - The Authority does not have any infrastructure assets for its Enterprise Fund.

10 - Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

11- Advertising cost is charged to expense when incurred.

12- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

13- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

14- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

Other accounting policies - Continued

15- Fair Value Measurements – Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defined a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which requires the Authority to develop assumptions.

The carrying amounts reported for cash and short-term investments approximate fair value.

Budgetary and Policy Control –

The Authority submits its annual operating subsidy and capital budgets to HUD. The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

Activities - The programs or activities administered by the Authority were:

| <u>Program</u> | <u>CFDA #</u> | <u>Project #</u> | <u>Units Authorized</u> |
|-------------------------------------|---------------|------------------|-------------------------|
| <u>Public Housing</u> | | | |
| Public and Indian Housing Program | 14.850 | NJ36 | 251 |
| Public Housing Capital Fund Program | 14.872 | NJ36 | |
| <u>Section 8</u> | | | |
| Section 8 Housing Choice Vouchers | 14.871 | NJ36 | 198 |

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

Activities - Continued

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the Town of Guttenberg flat rent amount.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments and homes to keep them clean, safe and in good condition.

Section 8 Housing Choice Voucher Program:

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

Business Activities

The Authority operates several laundry rooms and the proceeds from the laundry machines are recorded in this account.

Taxes - Under federal, state, and local law, the Authority's program are exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes

Grants - The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative cost. Grant revenues are recognized as income when earned. Grant expenditures are recognized on the accrual basis.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

Board of Commissioners - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

1. The ability of the Board to exercise supervision of a component unit's financial independence.
2. The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.
3. The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

NOTE 2 - ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925. On the web:
<http://www.state.nj.us/treasury/pensions/pdf/financial/2014divisioncombined.pdf>

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 7.20% of base wages.

The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2017 amounted to \$91,266.

Post Employment Retirement Benefits

The Authority provides post employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 4 – CASH, CASH EQUIVALENTS

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. 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. It is the Authority's policy to maintain collateralization in accordance with the State of New Jersey and HUD requirements.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC 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. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

The book balance at March 31, 2017 for unrestricted cash was \$1,112,158 and restricted cash of \$126,149 as discussed below:

| | <u>March-17</u> |
|------------------------------|---------------------|
| Freedom Bank | \$ 110,927 |
| Oratini Bank | 895,278 |
| Guttenberg Savings & Loan | 231,902 |
| Petty Cash | 200 |
| Total Cash, Cash Equivalents | <u>\$ 1,238,307</u> |

The Authority has total restricted cash at March 31, 2017 in the amount of \$126,149 which consisted of the following:

| | <u>March-17</u> |
|--------------------------|-------------------|
| Tenant Security Deposits | \$ 100,006 |
| HAP Reserve | 26,143 |
| Total Restricted Cash | <u>\$ 126,149</u> |

The restricted cash in the amount of \$26,143 for March 31, 2017 was reported under the Section 8 Housing Choice Voucher Program as a HAP reserve for future use.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 4 - CASH, CASH EQUIVALENTS - CONTINUED

Risk Disclosures

Collateral for Deposits

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.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase.

At March 31, 2017, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

The Authority's checking accounts are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it. The custodial credit risk categories are described as follows:

| <u>Depository Accounts</u> | <u>March-17</u> |
|--|---------------------|
| Insured | \$ 593,029 |
| Collateralized held by pledging bank's trust department in the Authority's name | 645,278 |
| Total Cash, Cash Equivalents | <u>\$ 1,238,307</u> |

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 5 - ACCOUNTS RECEIVABLE

The Housing Authority of the Town of Guttenberg carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Authority evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write offs, collections, and current credit conditions. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Accounts Receivable at March 31, 2017 consisted of the following:

| | <u>March-17</u> |
|--|-------------------------|
| Tenants Accounts Receivable - Present | \$ 19,010 |
| Less: Allowance for Doubtful Accounts | <u>(10,458)</u> |
| Net Accounts Receivables - Tenants | <u>8,552</u> |
| | |
| Fraud Tenants Accounts Receivable | 32,039 |
| Less: Allowance for Doubtful Accounts | <u>(3,204)</u> |
| Net Accounts Receivables - Tenants Fraud | <u>28,835</u> |
| | |
| Accounts Receivable - HUD | 44,980 |
| Accounts Receivable - Miscellaneous | <u>827</u> |
| Total Accounts Receivable Other | <u>45,807</u> |
| | |
| Net Accounts Receivables - Total | <u><u>\$ 83,194</u></u> |

The total of other receivables were received in the first quarter of the subsequent year and the Authority's management elected not to make an allowance for doubtful account.

NOTE 6 - PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses at March 31, 2017 were in the amount of \$98,024 which consisted of prepaid insurance amounts.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 7 – INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at March 31, 2017 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 8 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated by an appraisal value. Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$1,000 are expensed when incurred.

Donated fixed assets are stated at their fair value on the date donated. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

| | |
|---------------------------|----------|
| 1. Building and Structure | 40 years |
| 2. Office Improvements | 7 years |
| 3. Site Improvements | 15 years |
| 4. Building Components | 15 years |
| 5. Office Equipment | 5 years |

The Housing Authority of the Town of Guttenberg has given consideration to the GASB #42, Accounting for the Impairment or Disposal of Long-Lived Assets, in the preparation of these financial statements. The carrying value of long-live assets in accordance with GASBS #42, when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority has not recognized any impairment in the carry value of its fixed assets at March 31, 2017.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 8 - FIXED ASSETS -CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending March 31, 2017:

| | March-16 | Additions | Transfer | March-17 |
|---------------------------------------|--------------|--------------|-----------|--------------|
| Land | \$ 533,472 | \$ - | \$ - | \$ 533,472 |
| Building | 17,063,938 | - | 194,333 | 17,258,271 |
| Furniture, Equipment - Dwelling | 356,581 | - | - | 356,581 |
| Furniture, Equipment - Administration | 298,112 | - | - | 298,112 |
| Leasehold Improvements | 892,755 | - | - | 892,755 |
| Construction in Process | 447,153 | 79,501 | (194,333) | 332,321 |
| Total Fixed Assets | 19,592,011 | 79,501 | - | 19,671,512 |
| Accumulated Depreciation | (12,649,482) | (716,621) | - | (13,366,103) |
| Net Book Value | \$ 6,942,529 | \$ (637,120) | \$ - | \$ 6,305,409 |

Below is a schedule of the net book value of the fixed assets for the Housing Authority of the Town of Guttenberg as of March 31, 2017:

| | March-17 |
|---------------------------------------|--------------|
| Land | \$ 533,472 |
| Building | 4,987,965 |
| Furniture, Equipment - Dwelling | 37,789 |
| Furniture, Equipment - Administration | 102,890 |
| Leasehold Improvements | 310,972 |
| Construction in Process | 332,321 |
| Net Book Value | \$ 6,305,409 |

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The Pension Liability discussed in Note 17 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The Authority's deferred outflows and inflows are as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| | <hr/> | <hr/> |
| Differences Between Expected and Actual Experiences | \$ 56,584 | \$ - |
| Changes in Assumptions | 630,272 | - |
| Net Difference Between Projected and Actual Earning on Pension Plan Investments | 116,019 | - |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions Subsequent to the Measurement Date | 330,938 | 228,925 |
| | 95,861 | - |
| Total | <hr/> <hr/> \$ 1,229,674 | <hr/> <hr/> \$ 228,925 |

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$56,584 and \$-0-.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$630,272 and \$-0-.

Net Difference between Projected and Actual Investments Earnings on Pension Plan Investments

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five year closed period in accordance with GASB 68. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$116,019 and \$-0-.

Changes in Proportion

The change in employer proportionate share is the amount of difference between the employer proportionate share of net pension liability in the prior year compared to the current year. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a *five* year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$330,938 and \$228,925.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 10 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of March 31, 2017. Accounts payable vendors are amounts owed to creditors as a result of delivered goods and completed services. The Authority accounts payable at March 31, 2017 in the amount of \$383,277 consisted of the following:

| | <u>March-17</u> |
|-------------------------------|-------------------|
| Accounts Payable Vendors | \$ 67,053 |
| Accounts Payable - HUD | 145,264 |
| Accounts Payable - P.I.L.O.T. | 170,960 |
| Total Accounts Payable | <u>\$ 383,277</u> |

NOTE 11 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

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 Town of Guttenberg. Under the Cooperation Agreements, the Authority must pay the municipality the littlest of 10% of its net shelter rent or the approximate full real property taxes. The total amount of PILOT payable at March 31, 2017 consisted of the following:

| | <u>March-17</u> |
|---------------------------|-------------------|
| Balance Beginning of Year | \$ 84,821 |
| P.I.L.O.T. Accrued | 86,139 |
| Less: Payments Made | - |
| Total P.I.L.O.T. Payable | <u>\$ 170,960</u> |

NOTE 12 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before March 31. Accrued expenses at March 31, 2017 were in the amount of \$63,470 consisted of the current portion of the compensated absences accrued.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 13 – ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered.

Unused sick leave may be carried to future periods without limitations and used in the event of extended illness. In the event of retirement, an employee is compensated for one-half of his unused sick days at the present daily compensation rate or six months of salary, whichever is less. Generally, unused vacation may be carried over to the next year and then must be used. In the event of separation from the Authority, the employee is eligible for compensation of up to one year plus any time earned in the year of separation.

The Authority has determined that the potential liability for accumulated vacation and sick time is as follows:

| | <u>March-17</u> |
|---|-------------------------|
| Accumulated Sick Time | \$ 58,340 |
| Accumulated Vacation Time | 54,502 |
| FICA Expense | 8,642 |
| Total | <u>121,484</u> |
| Compensated Absences - Current Portion | <u>(63,470)</u> |
| Total Compensated Absences - Noncurrent | <u><u>\$ 58,014</u></u> |

NOTE 14 – UNEARNED REVENUE

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and the revenue is recognized.

The unearned revenue amount for March 31, 2017 was \$3,392 which consisted of prepaid rents for April 2017.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 15 – LONG TERM DEBT

At March 31, 1999, the Authority's Long Term Debt (guaranteed by HUD), in accordance with HUD's GAAP Conversion Guide, the Long Term Debt and related debt service accounts were written off.

NOTE 16 – ACCRUED PENSION AND OPEB LIABILITIES

The Authority as of March 31, 2017 reported accrued pension and OPEB liability amounts as follows:

| | <u>March-17</u> |
|----------------------------------|---------------------|
| Accrued OPEB Liability | \$ 608,158 |
| Accrued Pension Liability | 3,042,639 |
| Total OPEB and Pension Liability | <u>\$ 3,650,797</u> |

These amounts arose due to adoption of GASB 45 and GASB 68 several years ago. This note will discuss the liability associated with GASB 45, which is accrued other postemployment benefits. Note - 17 will discuss the effect of GASB 68 and the liability which arose from that.

OPEB Liability

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years.

The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

| | <u>March-17</u> |
|--|-------------------|
| Annual Required Contribution | \$ 146,418 |
| Interest on net OPEB obligation | 9,670 |
| Adjustment to annual required contribution | <u>111,184</u> |
| Annual OPEB cost (expense) | 267,272 |
| Contributions made | <u>(85,988)</u> |
| Increase in net OPEB obligation | 181,284 |
| Net OPEB Obligation – beginning of year | 426,874 |
| Net OPEB Obligation – end of year | <u>\$ 608,158</u> |

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 16 – ACCRUED PENSION AND OPEB LIABILITIES - CONTINUED

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year is as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|--|---------------------|
| March-14 | \$ 71,106 | 15.0% | \$ 60,439 |
| March-15 | \$ 71,106 | 15.0% | \$ 60,439 |
| March-16 | \$ 267,272 | 31.0% | \$ 185,118 |
| March-17 | \$ 267,272 | 32.2% | \$ 181,284 |

FUNDED STATUS AND FUNDING PROGRESS

As of April 1, 2015, the most recent valuation date, the plan was 0.0% funded. The unfunded accrued liability (UAL) for benefits was \$2,677,884, and the actuarial value of assets was \$-0-, resulting in an unfunded accrued liability (UAL) of \$2,677,884.

EFFECT OF A 1% CHANGE IN HEALTHCARE TREND RATES

In the event of that healthcare trend rates were 1% percent higher than forecast and employee contributions were to increase at the forecast rates, the Unfunded Accrued Liability would increase to \$3,203,445 or by 40.5% percent and the corresponding total service cost of \$53,584 would increase to \$71,465 or by 33.4% percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 16 – ACCRUED PENSION AND OPEB LIABILITIES - CONTINUED

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

- Actuarial Cost Method Projected Unit Credit
- Investment Rate of Return 4.00% per annum
- Healthcare Trend Rates:

| | Year | Pre - 65 | Post - 65 |
|------------------|---------------|----------|-----------|
| Initial Trend | 2012 | 10.00% | 10.00% |
| Ultimate Trend | 2017 or Later | 5.00% | 5.00% |
| Grading per Year | | 1.00% | 1.00% |

- Actuarial Value of Assets: N/A
- Amortization of UAL: Amortized as level dollar amount over 30 years at transition
- Remaining Amortization Period: 30 years at April 1, 2015

Comparison of Census Information with Prior Valuation Report:

| | April-15 | April-12 |
|------------------------------------|----------|----------|
| Number of Active Employees | 9 | 11 |
| Average Age - Actives | 53.8 | 44.5 |
| Average Years of Service - Actives | 6.7 | 11.1 |
| Actives Eligible for Benefits | 1 | 2 |
| Number of Retirees | 4 | 2 |
| Average Age of Retirees | 66.3 | 72.5 |

Summary of changes to Unfunded Accrued Liability

Below is a schedule the items that caused the increase in the UAL from the initial actuarial valuation of the unfunded accrued liability to the most recent valuation as of April 1, 2015:

| | | |
|--|-----------|------------------|
| Initial Valuation of UAL April 1 , 2011 | \$ | 944,858 |
| Impact from prior valuations | | 65,265 |
| Impact due to changes in other assumptions and employee demographics | | 328,819 |
| Impact due to changes in retiree contribution rates from 50% to 0% | | 1,338,942 |
| Total UAL as of April 1, 2015 | <u>\$</u> | <u>2,677,884</u> |

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 17 – ACCRUED PENSION LIABILITY

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 Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PER 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 Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

Contributions

The local employers' contribution amounts are based on an 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 the 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.

Measurement Date

The net pension liability for fiscal year ending March 31, 2017 is determined at a measurement date of June 30, 2016. The total pension liability as of June 30, 2016 was determined by rolling forward the Plan's total pension liability as of July 1, 2015 to June 30, 2016. The plan fiduciary net position is the market value of plan assets as of June 30, 2016.

Net Pension Liability Information

The Authority as of March 31, 2017 reported a net pension liability in the amount of \$3,042,639 due to the adoption of GASB 68.

The component of the current year net pension liability of the Authority as of June 30, 2016, the last evaluation date, is as follows:

| | |
|----------------------------------|---------------------|
| | <u>PERS</u> |
| Employer Total Pension Liability | \$ 5,082,655 |
| Plan Net Position | <u>(2,040,016)</u> |
| Employer Net Pension Liability | <u>\$ 3,042,639</u> |

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

The Authority allocation percentage is 0.0102732404% as of June 30, 2016.

Allocation Percentage Methodology

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2016 and 2015 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2016 and 2015, respectively. For this first year implementation there was a change in allocation percentage from June 30, 2015 to June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 plan members will be made at the current member contribution rates and that contributions from employers will be made based on 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 TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

Long-Term Expected Rate of Return

The arithmetic mean return on the portfolio was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016. The capital market assumptions are per Buck's investment consulting practice for 2016.

The determination of each employer's projected long term contribution effort is accomplished by computing the actuarially determined indexed present value of future compensation using census data as of June 30, 2016. The indexed present value of future compensation for each employer is calculated by multiplying the present value of future projected compensation for current employees (that is, on a closed basis) by the applicable cost index for each participant. The present value of future compensation for a participant incorporates:

- 1) Current employee demographics, including age, years of service, and salary,
- 2) Projected salary increases, and
- 3) Decrements (probabilities of retirement, death, and withdrawal).

The cost indexes are designed to reflect the relative cost of benefits for groups of employees with a common benefit in relation to other groups within each GASB plan. These cost indexes are also used in the determination of annual required contributions. The cost indexes are based on a new entrant valuation where the most recent set of new members to

- 1) An PERS regular plan (retirement eligibility based on age and service),
- 2) An PERS special plan (retirement eligibility based on service alone), and

These new entrant rates are the employer contribution rates that would be paid over the employee's career assuming all valuation assumptions are realized without gains or losses. The ratio of new entrant rates between plans establishes the relative plan lucrativeness, or index.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 3.98% percent, as well as what 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 assumption (in thousands). Sensitivity of the Authority’s proportionate share of the Net Pension Liability due to change in the Discount Rate:

| | 1% Decrease (2.98%) | Current Discount (3.98%) | 1% Increase (4.98%) |
|---|------------------------|--------------------------------|------------------------|
| Authority's Proportionate Share of the Net Pension Liability (Asset) | \$ 3,728,399 | \$ 3,042,639 | \$ 2,476,485 |

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of PERS members (active and inactive members), respectively.

The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow or resources or a deferred inflow of resources.

Actuarial Assumptions

The total pension liability for June 30, 2016 measurement dates were determined by using an actuarial valuation as of July 1, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. The actuarial valuations used the following actuarial assumptions:

| | |
|---------------------------|--------------------------|
| Inflation | 3.08% |
| Salary Increases: | |
| Through 2026 | 1.65-4.15%, based on age |
| Thereafter | 2.65-5.15%, based on age |
| Investment Rate of Return | 7.65% |

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Actuarial Assumptions -Continued

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 7 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-mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements 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 evaluation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Best estimates of arithmetic rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2016 as summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------------|-------------------|--|
| 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 Equities | 13.25% | 6.83% |
| Emerging Market Equities | 6.50% | 9.95% |
| Private Equity | 9.00% | 12.40% |
| Hedge Funds / Absolute Return | 12.50% | 4.68% |
| Real Estate | 2.00% | 6.91% |
| Commodities | 0.50% | 5.45% |
| Global Debt ex US | 5.00% | -0.25% |
| REIT | 5.25% | 5.63% |
| | 100% | |

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

| | | |
|---------------------------|----|---------|
| Year Ending June 30, 2017 | \$ | 180,760 |
| Year Ending June 30, 2018 | \$ | 180,760 |
| Year Ending June 30, 2019 | \$ | 209,416 |
| Year Ending June 30, 2020 | \$ | 175,940 |
| Year Ending June 30, 2021 | \$ | 55,998 |

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended March 31, 2017 is \$314,263.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 18 – RESTRICTED

The Authority’s Restricted Net Position account balance at March 31, 2017 is \$26,143. The balance of \$26,143 pertains to the HAP reserve. The detail of the restricted reserve account balances is as follows:

| | <u>HAP Reserves</u> |
|------------------------------|---------------------|
| Balance as of March 31, 2016 | \$ 20,572 |
| Increase the Year | 5,571 |
| Balance as of March 31, 2017 | <u>\$ 26,143</u> |

Housing Choice Voucher Program - Reserves

Prior to January 1, 2005 excess funds received from the Annual Budget Amount (ABA) by HUD to the Authority for the payment of housing assistance payments (HAP) were returned to HUD at the end of the Authority’s calendar year. In accordance with HUD’s PIH Notice 2006-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP’s that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net assets during the year.

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority at December 31, 2016 was \$195,963. The amount for March 31, 2017 was not available to the Authority at the date of the audit report.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 19 – UNRESTRICTED NET POSITION

The Authority's unrestricted net position account balance at March 31, 2017 is a negative (\$1,864,825). The detail of the account balance is as follows:

| | Low Rent PH Reserve | HCV ADM Reserves | Business Activities | Total |
|------------------------------|------------------------|---------------------|------------------------|-----------------------|
| Balance as of March 31, 2016 | \$ (1,788,145) | \$ (32,538) | \$ 195,281 | \$ (1,625,402) |
| Increase During the Year | - | 15,489 | - | 15,489 |
| Decrease During the Year | (240,999) | - | (13,913) | (254,912) |
| Balance as of March 31, 2017 | <u>\$ (2,029,144)</u> | <u>\$ (17,049)</u> | <u>\$ 181,368</u> | <u>\$ (1,864,825)</u> |

The Authority unrestricted net position reflects a negative (\$1,864,825) balance, as of March 31, 2017, because of the requirement to adopt GASB #45 (OPEB) and GASB #68 pension liability. The Authority recorded OPEB liability to date of \$608,158 which has a direct effect on the reserves. The Authority recorded an accrued pension liability to date of \$3,042,639 which also has a direct effect on the reserves. GASB #45 and GASB #68 do not require the Authority to fund the liability.

NOTE 20 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended March 31, 2017, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its buildings for the purpose of determining potential liability issues.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 21 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended March 31, 2017 were \$ - 0 -.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended March 31, 2017 was \$709,425.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The program provide for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contribution's for the Housing Choice Voucher for March 31, 2017 was in the amount of \$1,988,874.

NOTE 22 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Governmental Accounting Standards Boards Statements (GASBS) requires disclosure in financial statements of a situation where one entity provides more than 10% percent of the audited entity's revenues. Total financial support by HUD was \$2,971,200 to the Authority which represents approximately 65% percent of the Authority's total revenue for the year ended March 31, 2017.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Notes to Financial Statements

March 31, 2017

NOTE 23 - CONTINGENCIES

Litigation -- At March 31, 2017, the Authority was not involved in any threatened litigation.

Grants Disallowances -- The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 24 - SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the Statement of Net Position date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru October 13, 2017; the date which the financial statements were available for issue 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.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE TWELVE MONTHS ENDED MARCH 31, 2017**

Programs funded by:

U.S. Department of Housing and Urban Development

| | <u>CFDA #'s</u> | <u>Grant Period</u> | <u>Grant</u> | <u>Fiscal Year</u> | <u>Fiscal Year</u> | <u>Cumulative</u> |
|---|-----------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| | | <u>From</u> | <u>Award</u> | <u>Cash Receipts</u> | <u>Expenditures</u> | <u>Expenditures</u> |
| | | <u>To</u> | | | | |
| <u>Public and Indian Housing Program</u> | | | | | | |
| NJ036-00000116D | 14.850 | 1/1/2016 | \$ 774,770 | \$ 582,113 | \$ 582,113 | \$ 774,770 |
| NJ036-00000117D | 14.850 | 1/1/2017 | 463,365 | 127,312 | 127,312 | 127,312 |
| Grant Subtotal | | | <u>1,238,135</u> | <u>709,425</u> | <u>709,425</u> | <u>902,082</u> |
| <u>Public Housing Capital Fund Program</u> | | | | | | |
| NJ39PO36501-14 | 14.872 | 5/13/2014 | 388,216 | 13,584 | 13,584 | 388,216 |
| NJ39PO36501-15 | 14.872 | 4/13/2015 | 380,071 | 128,597 | 128,597 | 316,944 |
| NJ39PO36501-16 | 14.872 | 4/13/2016 | 385,660 | 130,720 | 130,720 | 130,720 |
| Grant Subtotal | | | <u>1,153,947</u> | <u>272,901</u> | <u>272,901</u> | <u>835,880</u> |
| <u>Section 8 Housing Choice Voucher Program</u> | | | | | | |
| NJ39PO36 | 14.871 | 4/1/2016 | 1,988,874 | 1,988,874 | 1,988,874 | 1,988,874 |
| Grant Subtotal | | | <u>1,988,874</u> | <u>1,988,874</u> | <u>1,988,874</u> | <u>1,988,874</u> |
| Total Awards | | | <u>\$ 4,380,956</u> | <u>\$ 2,971,200</u> | <u>\$ 2,971,200</u> | <u>\$ 3,726,836</u> |

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2017**

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the Town of Guttenberg is 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 the operations of the Housing Authority of the Town of Guttenberg, it is not intended to and does not present the financial position, change in net position, or cash flow of the Housing Authority of the Town of Guttenberg.

Note 2. Summary of Significant Accounting Policies:

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

Note 3. Indirect Cost Rate

The Housing Authority of the Town of Guttenberg has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 4. Loans Outstanding:

The Housing Authority of the Town of Guttenberg had no outstanding loans as of March 31, 2017.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended March 31, 2017.

Note 6. Sub recipients:

Of the federal expenditures presented in the schedule above, the Housing Authority of the Town of Guttenberg did not provide federal awards to any sub recipients.

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Schedule of Proportionate Share of the Net Pension Liability
Of the Public Employee Retirement System (PERS)

March 31, 2017

REQUIRED SUPPLEMENTAL INFORMATION

GASB 68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below.

The schedule below displays the Authority's proportionate share of Net Pension Liability.

| | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|
| Housing Authority's proportion of the net pension liability | 0.00151556% | 0.00934373% | 0.00117230% |
| Housing Authority's proportionate share of the net pension liability | \$ 3,042,639 | \$ 2,097,480 | \$ 2,091,764 |
| Housing Authority's covered employee payroll | \$ 630,240 | \$ 882,349 | \$ 724,763 |
| Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 482.77% | 237.72% | 288.61% |
| Plan fiduciary net position as a percentage of the total pension liability | 59.86% | 52.07% | 52.08% |

**The amounts determined for each fiscal year were determined as of June 30.*

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Schedule of Proportionate Share of the Net Pension Liability
Of the Public Employee Retirement System (PERS)
 March 31, 2017

REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

The schedule below displays the Authority's contractually required contributions along with related ratios.

| | 2017 | 2016 | 2015 |
|---|-------------|-------------|-------------|
| Contractually required contribution | \$ 91,266 | \$ 80,331 | \$ 92,103 |
| Contribution in relation to the contractually required contribution | (91,266) | (80,331) | (92,103) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Authority's covered payroll | \$ 630,240 | \$ 882,349 | \$ 724,763 |
| Contribution as a percentage of covered employee payroll | 14.48% | 9.10% | 12.71% |

**The amounts determined for each fiscal year were determined as of June 30.*

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF MARCH 31, 2017**

| | NJ39PO36-501-13 | | |
|--------------------------|-------------------|-------------------|-------------|
| | Budget | Actual Cost | Overrun |
| Operations | \$ 74,578 | \$ 74,578 | \$ - |
| Management Improvements | 1,260 | 1,260 | - |
| Administration | 37,289 | 37,289 | - |
| Fees & Cost | 53,650 | 53,650 | - |
| Site Improvements | 14,947 | 14,947 | - |
| Dwelling Structure | 179,386 | 179,386 | - |
| Nondwelling Equipment | 11,782 | 11,782 | - |
| Total | \$ 372,893 | \$ 372,893 | \$ - |
| Funds Advanced | \$ 372,893 | | |
| Funds Expended | 372,893 | | |
| Excess of Funds Advanced | <u>\$ -</u> | | |

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-13 was completed on June 30, 2016
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF MARCH 31, 2017**

| | NJ39PO36-501-14 | | |
|--------------------------|-------------------|-------------------|-------------|
| | Budget | Actual Cost | Overrun |
| Operations | \$ 81,525 | \$ 81,525 | \$ - |
| Management Improvements | 3,995 | 3,995 | - |
| Administration | 38,821 | 38,821 | - |
| Fees & Cost | 64,705 | 64,705 | - |
| Site Improvements | 25,470 | 25,470 | - |
| Dwelling Structure | 172,418 | 172,418 | - |
| Nondwelling Equipment | 1,282 | 1,282 | - |
| Total | \$ 388,216 | \$ 388,216 | \$ - |
| Funds Advanced | \$ 388,216 | | |
| Funds Expended | 388,216 | | |
| Excess of Funds Advanced | <u>\$ -</u> | | |

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-14 was completed on June 30, 2016
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2017

| | Project Total | 14,871 Housing Choice Vouchers | 1 Business Activities | Subtotal | Total |
|--|---------------|---|--------------------------|---------------|---------------|
| 111 Cash - Unrestricted | \$774,484 | \$156,306 | \$181,368 | \$1,112,158 | \$1,112,158 |
| 112 Cash - Restricted - Modernization and Development | | | | | |
| 113 Cash - Other Restricted | | \$26,143 | | \$26,143 | \$26,143 |
| 114 Cash - Tenant Security Deposits | \$100,006 | | | \$100,006 | \$100,006 |
| 115 Cash - Restricted for Payment of Current Liabilities | | | | | |
| 100 Total Cash | \$874,490 | \$182,449 | \$181,368 | \$1,238,307 | \$1,238,307 |
| 121 Accounts Receivable - PHA Projects | | | | | |
| 122 Accounts Receivable - HUD Other Projects | \$44,980 | | | \$44,980 | \$44,980 |
| 124 Accounts Receivable - Other Government | | | | | |
| 125 Accounts Receivable - Miscellaneous | \$827 | | | \$827 | \$827 |
| 126 Accounts Receivable - Tenants | \$19,010 | | | \$19,010 | \$19,010 |
| 126.1 Allowance for Doubtful Accounts - Tenants | -\$10,458 | | | -\$10,458 | -\$10,458 |
| 126.2 Allowance for Doubtful Accounts - Other | \$0 | | | \$0 | \$0 |
| 127 Notes, Loans, & Mortgages Receivable - Current | | | | | |
| 128 Fraud Recovery | \$32,039 | | | \$32,039 | \$32,039 |
| 128.1 Allowance for Doubtful Accounts - Fraud | -\$3,204 | | | -\$3,204 | -\$3,204 |
| 129 Accrued Interest Receivable | | | | | |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$83,194 | \$0 | \$0 | \$83,194 | \$83,194 |
| 131 Investments - Unrestricted | | | | | |
| 132 Investments - Restricted | | | | | |
| 135 Investments - Restricted for Payment of Current Liability | | | | | |
| 142 Prepaid Expenses and Other Assets | \$98,024 | | | \$98,024 | \$98,024 |
| 143 Inventories | | | | | |
| 143.1 Allowance for Obsolete Inventories | | | | | |
| 144 Inter Program Due From | | | | | |
| 145 Assets Held for Sale | | | | | |
| 150 Total Current Assets | \$1,055,708 | \$182,449 | \$181,368 | \$1,419,525 | \$1,419,525 |
| 161 Land | \$533,472 | | | \$533,472 | \$533,472 |
| 162 Buildings | \$17,258,271 | | | \$17,258,271 | \$17,258,271 |
| 163 Furniture, Equipment & Machinery - Dwellings | \$356,581 | | | \$356,581 | \$356,581 |
| 164 Furniture, Equipment & Machinery - Administration | \$298,112 | | | \$298,112 | \$298,112 |
| 165 Leasehold Improvements | \$892,755 | | | \$892,755 | \$892,755 |
| 166 Accumulated Depreciation | -\$13,366,103 | | | -\$13,366,103 | -\$13,366,103 |
| 167 Construction in Progress | \$332,321 | | | \$332,321 | \$332,321 |
| 168 Infrastructure | | | | | |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$6,305,409 | \$0 | \$0 | \$6,305,409 | \$6,305,409 |
| 171 Notes, Loans and Mortgages Receivable - Non-Current | | | | | |
| 172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due | | | | | |
| 173 Grants Receivable - Non Current | | | | | |
| 174 Other Assets | | | | | |
| 176 Investments in Joint Ventures | | | | | |
| 180 Total Non-Current Assets | \$6,305,409 | \$0 | \$0 | \$6,305,409 | \$6,305,409 |
| 200 Deferred Outflow of Resources | \$1,156,576 | \$73,098 | | \$1,229,674 | \$1,229,674 |
| 290 Total Assets and Deferred Outflow of Resources | \$8,517,693 | \$255,547 | \$181,368 | \$8,954,608 | \$8,954,608 |
| 311 Bank Overdraft | | | | | |
| 312 Accounts Payable <= 90 Days | \$63,053 | \$4,000 | | \$67,053 | \$67,053 |
| 313 Accounts Payable >90 Days Past Due | | | | | |

See accompanying notes to the financial statements

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2017

| | Project Total | 14,871 Housing Choice Vouchers | 1 Business Activities | Subtotal | Total |
|--|---------------|---|--------------------------|--------------|--------------|
| 321 Accrued Wage/Payroll Taxes Payable | | | | | |
| 322 Accrued Compensated Absences - Current Portion | \$63,183 | \$287 | | \$63,470 | \$63,470 |
| 324 Accrued Contingency Liability | | | | | |
| 325 Accrued Interest Payable | | | | | |
| 331 Accounts Payable - HUD PHA Programs | \$144,554 | \$710 | | \$145,264 | \$145,264 |
| 332 Account Payable - PHA Projects | | | | | |
| 333 Accounts Payable - Other Government | \$170,960 | | | \$170,960 | \$170,960 |
| 341 Tenant Security Deposits | \$100,006 | | | \$100,006 | \$100,006 |
| 342 Unearned Revenue | \$3,392 | | | \$3,392 | \$3,392 |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue | | | | | |
| 344 Current Portion of Long-term Debt - Operating Borrowings | | | | | |
| 345 Other Current Liabilities | | | | | |
| 346 Accrued Liabilities - Other | | | | | |
| 347 Inter Program - Due To | | | | | |
| 348 Loan Liability - Current | | | | | |
| 310 Total Current Liabilities | \$545,148 | \$4,997 | \$0 | \$550,145 | \$550,145 |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | | | | | |
| 352 Long-term Debt, Net of Current - Operating Borrowings | | | | | |
| 353 Non-current Liabilities - Other | | | | | |
| 354 Accrued Compensated Absences - Non Current | \$55,429 | \$2,585 | | \$58,014 | \$58,014 |
| 355 Loan Liability - Non Current | | | | | |
| 356 FASB 5 Liabilities | | | | | |
| 357 Accrued Pension and OPEB Liabilities | \$3,428,905 | \$221,892 | | \$3,650,797 | \$3,650,797 |
| 350 Total Non-Current Liabilities | \$3,484,334 | \$224,477 | \$0 | \$3,708,811 | \$3,708,811 |
| 300 Total Liabilities | \$4,029,482 | \$229,474 | \$0 | \$4,258,956 | \$4,258,956 |
| 400 Deferred Inflow of Resources | \$211,946 | \$16,979 | | \$228,925 | \$228,925 |
| 508.4 Net Investment in Capital Assets | \$6,305,409 | \$0 | | \$6,305,409 | \$6,305,409 |
| 511.4 Restricted Net Position | \$0 | \$26,143 | | \$26,143 | \$26,143 |
| 512.4 Unrestricted Net Position | -\$2,029,144 | -\$17,049 | \$181,368 | -\$1,864,825 | -\$1,864,825 |
| 513 Total Equity - Net Assets / Position | \$4,276,265 | \$9,094 | \$181,368 | \$4,466,727 | \$4,466,727 |
| 600 Total Liabilities, Deferred Inflows of Resources and Equity - Net | \$8,517,693 | \$255,547 | \$181,368 | \$8,954,608 | \$8,954,608 |

See accompanying notes to the financial statements

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2017

| | Project Total | 14,871 Housing Choice Vouchers | 1 Business Activities | Subtotal | Total |
|---|---------------|---|--------------------------|-------------|-------------|
| 70300 Net Tenant Rental Revenue | \$1,427,698 | | | \$1,427,698 | \$1,427,698 |
| 70400 Tenant Revenue - Other | \$32,342 | | | \$32,342 | \$32,342 |
| 70500 Total Tenant Revenue | \$1,460,040 | \$0 | \$0 | \$1,460,040 | \$1,460,040 |
| 70600 HUD PHA Operating Grants | \$902,825 | \$1,988,874 | | \$2,891,699 | \$2,891,699 |
| 70610 Capital Grants | \$79,501 | | | \$79,501 | \$79,501 |
| 70710 Management Fee | | | | | |
| 70720 Asset Management Fee | | | | | |
| 70730 Book Keeping Fee | | | | | |
| 70740 Front Line Service Fee | | | | | |
| 70750 Other Fees | | | | | |
| 70700 Total Fee Revenue | | | | | |
| 70800 Other Government Grants | \$6,427 | | | \$6,427 | \$6,427 |
| 71100 Investment Income - Unrestricted | \$11,515 | \$1,588 | \$445 | \$13,548 | \$13,548 |
| 71200 Mortgage Interest Income | | | | | |
| 71300 Proceeds from Disposition of Assets Held for Sale | | | | | |
| 71310 Cost of Sale of Assets | | | | | |
| 71400 Fraud Recovery | \$32,039 | \$5,040 | | \$37,079 | \$37,079 |
| 71500 Other Revenue | \$5,994 | \$54,632 | \$29,477 | \$90,103 | \$90,103 |
| 71600 Gain or Loss on Sale of Capital Assets | | | | | |
| 72000 Investment Income - Restricted | | | | | |
| 70000 Total Revenue | \$2,498,341 | \$2,050,134 | \$29,922 | \$4,578,397 | \$4,578,397 |
| 91100 Administrative Salaries | \$266,562 | \$41,980 | | \$308,542 | \$308,542 |
| 91200 Auditing Fees | \$5,370 | \$5,000 | | \$10,370 | \$10,370 |
| 91300 Management Fee | | | | | |
| 91310 Book-keeping Fee | | | | | |
| 91400 Advertising and Marketing | | | | | |
| 91500 Employee Benefit contributions - Administrative | \$326,714 | \$32,173 | | \$358,887 | \$358,887 |
| 91600 Office Expenses | | | | | |
| 91700 Legal Expense | \$94,474 | \$10,000 | | \$104,474 | \$104,474 |
| 91800 Travel | | \$500 | | \$500 | \$500 |
| 91810 Allocated Overhead | | | | | |
| 91900 Other | \$310,237 | \$43,597 | \$16 | \$353,850 | \$353,850 |
| 91000 Total Operating - Administrative | \$1,003,357 | \$133,250 | \$16 | \$1,136,623 | \$1,136,623 |
| 92000 Asset Management Fee | | | | | |
| 92100 Tenant Services - Salaries | | | | | |
| 92200 Relocation Costs | | | | | |
| 92300 Employee Benefit Contributions - Tenant Services | | | | | |
| 92400 Tenant Services - Other | | | | | |
| 92500 Total Tenant Services | \$0 | \$0 | \$0 | \$0 | \$0 |
| 93100 Water | \$89,579 | | | \$89,579 | \$89,579 |
| 93200 Electricity | \$171,800 | | | \$171,800 | \$171,800 |
| 93300 Gas | \$129,345 | | | \$129,345 | \$129,345 |
| 93400 Fuel | | | | | |
| 93500 Labor | \$35,256 | | | \$35,256 | \$35,256 |
| 93600 Sewer | \$125,868 | | | \$125,868 | \$125,868 |
| 93700 Employee Benefit Contributions - Utilities | \$45,025 | | | \$45,025 | \$45,025 |
| 93800 Other Utilities Expense | | | | | |
| 93000 Total Utilities | \$596,873 | \$0 | \$0 | \$596,873 | \$596,873 |
| 94100 Ordinary Maintenance and Operations - Labor | \$286,442 | | | \$286,442 | \$286,442 |

See accompanying notes to the financial statements

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2017

| | Project Total | 14,871 Housing Choice Vouchers | 1 Business Activities | Subtotal | Total |
|---|---------------|---|--------------------------|-------------|-------------|
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$58,432 | | | \$58,432 | \$58,432 |
| 94300 Ordinary Maintenance and Operations Contracts | \$112,166 | | | \$112,166 | \$112,166 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$390,213 | | | \$390,213 | \$390,213 |
| 94000 Total Maintenance | \$847,253 | \$0 | \$0 | \$847,253 | \$847,253 |
| 95100 Protective Services - Labor | | | | | |
| 95200 Protective Services - Other Contract Costs | | | | | |
| 95300 Protective Services - Other | \$26,820 | | | \$26,820 | \$26,820 |
| 95500 Employee Benefit Contributions - Protective Services | | | | | |
| 95000 Total Protective Services | \$26,820 | \$0 | \$0 | \$26,820 | \$26,820 |
| 96110 Property Insurance | \$43,799 | | | \$43,799 | \$43,799 |
| 96120 Liability Insurance | \$25,436 | | | \$25,436 | \$25,436 |
| 96130 Workmen's Compensation | \$22,790 | | | \$22,790 | \$22,790 |
| 96140 All Other Insurance | \$25,239 | | | \$25,239 | \$25,239 |
| 96100 Total Insurance Premiums | \$117,264 | \$0 | \$0 | \$117,264 | \$117,264 |
| 96200 Other General Expenses | | | | | |
| 96210 Compensated Absences | \$6,462 | \$1,639 | | \$8,101 | \$8,101 |
| 96300 Payments in Lieu of Taxes | \$86,139 | | | \$86,139 | \$86,139 |
| 96400 Bad debt - Tenant Rents | \$1,865 | | | \$1,865 | \$1,865 |
| 96500 Bad debt - Mortgages | | | | | |
| 96600 Bad debt - Other | | | | | |
| 96800 Severance Expense | | | | | |
| 96000 Total Other General Expenses | \$94,466 | \$1,639 | \$0 | \$96,105 | \$96,105 |
| 96710 Interest of Mortgage (or Bonds) Payable | | | | | |
| 96720 Interest on Notes Payable (Short and Long Term) | | | | | |
| 96730 Amortization of Bond Issue Costs | | | | | |
| 96700 Total Interest Expense and Amortization Cost | \$0 | \$0 | \$0 | \$0 | \$0 |
| 96900 Total Operating Expenses | \$2,686,033 | \$134,889 | \$16 | \$2,820,938 | \$2,820,938 |
| 97000 Excess of Operating Revenue over Operating Expenses | -\$187,692 | \$1,915,245 | \$29,906 | \$1,757,459 | \$1,757,459 |
| 97100 Extraordinary Maintenance | \$17,625 | | | \$17,625 | \$17,625 |
| 97200 Casualty Losses - Non-capitalized | | | | | |
| 97300 Housing Assistance Payments | | \$1,842,712 | | \$1,842,712 | \$1,842,712 |
| 97350 HAP Portability-In | | \$51,473 | | \$51,473 | \$51,473 |
| 97400 Depreciation Expense | \$716,621 | | | \$716,621 | \$716,621 |
| 97500 Fraud Losses | | | | | |
| 97600 Capital Outlays - Governmental Funds | | | | | |
| 97700 Debt Principal Payment - Governmental Funds | | | | | |
| 97800 Dwelling Units Rent Expense | | | | | |
| 90000 Total Expenses | \$3,420,279 | \$2,029,074 | \$16 | \$5,449,369 | \$5,449,369 |
| 10010 Operating Transfer In | \$96,415 | | | \$96,415 | \$96,415 |
| 10020 Operating transfer Out | -\$96,415 | | | -\$96,415 | -\$96,415 |
| 10030 Operating Transfers from/to Primary Government | | | | | |
| 10040 Operating Transfers from/to Component Unit | | | | | |
| 10050 Proceeds from Notes, Loans and Bonds | | | | | |
| 10060 Proceeds from Property Sales | | | | | |
| 10070 Extraordinary Items, Net Gain/Loss | | | | | |

See accompanying notes to the financial statements

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2017

| | Project Total | 14,871 Housing Choice Vouchers | 1 Business Activities | Subtotal | Total |
|--|---------------|---|--------------------------|-------------|-------------|
| 10080 Special Items (Net Gain/Loss) | | | | | |
| 10091 Inter Project Excess Cash Transfer In | | | | | |
| 10092 Inter Project Excess Cash Transfer Out | | | | | |
| 10093 Transfers between Program and Project - In | | | | | |
| 10094 Transfers between Project and Program - Out | | | | | |
| 10100 Total Other financing Sources (Uses) | \$0 | \$0 | \$0 | \$0 | \$0 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | -\$921,938 | \$21,060 | \$29,906 | -\$870,972 | -\$870,972 |
| 11020 Required Annual Debt Principal Payments | \$0 | \$0 | \$0 | \$0 | \$0 |
| 11030 Beginning Equity | \$5,154,384 | -\$11,966 | \$195,281 | \$5,337,699 | \$5,337,699 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | \$43,819 | | -\$43,819 | \$0 | \$0 |
| 11050 Changes in Compensated Absence Balance | | | | | |
| 11060 Changes in Contingent Liability Balance | | | | | |
| 11070 Changes in Unrecognized Pension Transition Liability | | | | | |
| 11080 Changes in Special Term/Severance Benefits Liability | | | | | |
| 11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents | | | | | |
| 11100 Changes in Allowance for Doubtful Accounts - Other | | | | | |
| 11170 Administrative Fee Equity | | -\$17,049 | | -\$17,049 | -\$17,049 |
| 11180 Housing Assistance Payments Equity | | \$26,143 | | \$26,143 | \$26,143 |
| 11190 Unit Months Available | 2988 | 2376 | | 5364 | 5364 |
| 11210 Number of Unit Months Leased | 2968 | 1979 | | 4947 | 4947 |
| 11270 Excess Cash | \$196,524 | | | \$196,524 | \$196,524 |
| 11610 Land Purchases | \$0 | | | \$0 | \$0 |
| 11620 Building Purchases | \$0 | | | \$0 | \$0 |
| 11630 Furniture & Equipment - Dwelling Purchases | \$0 | | | \$0 | \$0 |
| 11640 Furniture & Equipment - Administrative Purchases | \$22,997 | | | \$22,997 | \$22,997 |
| 11650 Leasehold Improvements Purchases | \$56,504 | | | \$56,504 | \$56,504 |
| 11660 Infrastructure Purchases | \$0 | | | \$0 | \$0 |
| 13510 CFFP Debt Service Payments | \$0 | | | \$0 | \$0 |
| 13901 Replacement Housing Factor Funds | \$0 | | | \$0 | \$0 |



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550

467 Middletown-Lincroft Rd.

fax: 732-842-4551

Lincroft, NJ 07738

**INDEPENDENT AUDITOR'S REPORT
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

Board of Commissioners
Housing Authority of the Town of Guttenberg
6900 Broadway
Guttenberg, New Jersey 07093

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the Town of Guttenberg as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise Housing Authority of the Town of Guttenberg basic financial statements, and have issued our report thereon dated October 13, 2017.

Internal Control over Financial Reporting

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: October 13, 2017



Hymanson, Parnes & Giampaolo

Certified Public Accountants

*tele: 732-842-4550
fax: 732-842-4551*

*467 Middletown-Lincroft Rd.
Lincroft, NJ 07738*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

**(Unmodified Opinion on Compliance for Each Major Program:
No Material Weakness or Significant Deficiencies
in Internal Control Over Compliance Identified)**

Board of Commissioners
Housing Authority of the Town of Guttenberg
6900 Broadway
Guttenberg, New Jersey 07093

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the Town of Guttenberg compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the Town of Guttenberg major federal programs for the year ended March 31, 2017. Housing Authority of the Town of Guttenberg major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the Town of Guttenberg 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). 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 Housing Authority of the Town of Guttenberg compliance with those requirements and performing such other procedures as we consider 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 Housing Authority of the Town of Guttenberg compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the Town of Guttenberg 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 Housing Authority of the Town of Guttenberg 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 Housing Authority of the Town of Guttenberg'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 Housing Authority of the Town of Guttenberg 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.

Purpose of This Report

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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: October 13, 2017

HOUSING AUTHORITY OF THE TOWN OF GUTTENBERG

Schedule of Findings and Questioned Cost

Year Ended March 31, 2017

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Type of audit report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements,

_____ yes X no

Identification of Major Programs

| <u>CFDA#</u> | <u>Name of Federal Program</u> | <u>Amount</u> |
|--------------|---|---------------|
| 14.871 | Section 8 Housing Choice Vouchers Program | \$ 1,988,874 |

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as a low-risk auditee _____ X yes _____ no

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550

fax: 732-842-4551

467 Middletown-Lincroft Rd.

Lincroft, NJ 07738

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the Town of Guttenberg
6900 Broadway
Guttenberg, New Jersey 07093

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the Town of Guttenberg and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. Housing Authority of the Town of Guttenberg is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by Housing Authority of the Town of Guttenberg as of and for the year ended March 31, 2017, and have issued our reports thereon dated October 13, 2017. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated March 31, 2017, was expressed in relation to the basic financial statements of Housing Authority of the Town of Guttenberg taken as a whole.

A copy of the reporting package required by OMB Uniform Guidance, which includes the auditor's reports, is available in its entirety from Housing Authority of the Town of Guttenberg. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of Housing Authority of the Town of Guttenberg and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

October 13, 2017

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON
PROCEDURE

| PROCEDURE | UFRS RULE INFORMATION | HARD COPY DOCUMENTS | AGREES | DOES NOT AGREE |
|-----------|--|---|----------------------------------|-----------------------|
| 1 | Balance Sheet and Revenue and Expense (data line items 111 to 13901) | Financial Data Schedule, all CFDA's | <input checked="" type="radio"/> | <input type="radio"/> |
| 2 | Footnotes (data element G5000-010) | Footnotes to audited basic financial statements | <input checked="" type="radio"/> | <input type="radio"/> |
| 3 | Type of opinion on FDS (data element G3100-040) | Auditor's supplemental report on FDS | <input checked="" type="radio"/> | <input type="radio"/> |
| 4 | Audit findings narrative (data element G5200-010) | Schedule of Findings and Questioned costs | <input checked="" type="radio"/> | <input type="radio"/> |
| 5 | General information (data element series G2000,G2100,G2200,G9000,G9100) | OMB Data Collection Form* | <input checked="" type="radio"/> | <input type="radio"/> |
| 6 | Financial statement report information (data element G3000-010 to G3000-050) | Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form* | <input checked="" type="radio"/> | <input type="radio"/> |
| 7 | Federal program report information (data element G4000-020 to G4000-040) | Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form* | <input checked="" type="radio"/> | <input type="radio"/> |
| 8 | Type of Compliance Requirement (G4200-020 & G4000-030) | OMB Data Collection Form* | <input checked="" type="radio"/> | <input type="radio"/> |
| 9 | Basic financial statements and auditor's reports required to be submitted electronically | Basic financial statements (inclusive of auditor reports) | <input checked="" type="radio"/> | <input type="radio"/> |