

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
(A Component Unit of the Borough of Clementon, State of New Jersey)

Financial Statements and Supplementary Schedules

For the year ended June 30, 2016

(With Independent Auditor's Report thereon)

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
(A Component Unit of the Borough of Clementon, State of New Jersey)
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June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Housing Authority of the Borough of Clementon

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Housing Authority of the Borough of Clementon, a component unit of the Borough of Clementon, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the Borough of Clementon as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, during the year ended June 30, 2016, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No.27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the Borough of Clementon's basic financial statements as a whole. The accompanying financial data schedules and the statement and certification of actual Capital Fund Grant costs, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial data schedules and the statement and certification of actual Capital Fund Grant costs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules and the statement and certification of actual Capital Fund Grant costs are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 03, 2016 on our consideration of the Housing Authority of the Borough of Clementon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the Borough of Clementon's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

October 03, 2016
Toms River, New Jersey



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

The Board of Commissioners
Housing Authority of the Borough of Clementon:

We have audited, in accordance with the 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Borough of Clementon (herein referred to as “the Authority”), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 03, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less 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. We did identify a deficiency in internal control, described in the accompanying comments and recommendation section as item 2016-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which is described in the accompanying comments and recommendations section as items 2016-001.

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* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

October 03, 2016
Toms River, New Jersey

HOUSING AUTHORITY

Management's Discussion and Analysis

As management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2016. This narrative and analysis is intended to provide context and support to the financial statements provided in this report.

Using the Annual Report

Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's 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 applicable to governmental entities in the United States of America for Proprietary Funds.

Financial Statements

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

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

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

The financial statements report on the Authority's activities. The activities are primarily supported by subsidies and grants from the United States Department of Housing and Urban Development. The Authority's function is to provide decent, safe and sanitary housing to lower income individuals who are 62 years old and older.

Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the general purpose financial statements. They appear in this report after the basic financial statements.

Budgetary Highlights

For the year ended June 30, 2016, individual program and grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The Authority prepares a budget to be submitted to the Bureau of Authority Regulation, Department of Community Affairs. The budget was prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

Financial Highlights

- As of the close of the year, the Authority reported unrestricted net position of \$(461,263) compared to \$22,429 at the close of the prior year.
- Rent revenue from tenants for the year was \$270,928 compared to \$266,423 for the prior year.
- Operating expenses for the year were \$970,957 compared to \$1,005,788 for the prior year.
- The total HUD PHA operating grant for the year ended June 30, 2016 was \$647,474 compared to \$579,844 for the prior year.

Computation of net position at June 30, 2016, 2015 and 2014 is as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash and other current assets	\$ 192,566	\$ 200,347	\$ 228,980
Capital assets, net	1,689,112	1,677,052	1,652,804
Deferred outflows	<u>72,654</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows	1,954,332	1,877,399	1,881,784
Current liabilities	118,040	147,857	60,499
Long-term liabilities	471,935	27,598	17,509
Deferred inflows	<u>146,377</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows	736,352	175,425	78,008
Invested in capital assets	1,678,662	1,652,804	1,652,804
Restricted Reserves	581	2,463	-
Unrestricted net position	<u>(461,263)</u>	<u>22,429</u>	<u>150,972</u>
Total net position	<u>\$ 1,217,980</u>	<u>\$ 1,701,944</u>	<u>\$ 1,803,776</u>

A summary of the Statements of Revenues, Expenses and Changes in Net Position is analyzed on the following page.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPERATING REVENUES			
Tenant rents	\$ 270,928	\$ 266,423	\$ 242,575
HUD PHA operating grant	647,474	579,844	504,854
Other	<u>46,157</u>	<u>41,026</u>	<u>34,869</u>
Total operating revenues	964,559	887,293	782,298
OPERATING EXPENSES			
Administrative	207,135	220,185	204,091
Tenant services	4,508	4,095	3,918
Utilities	168,081	170,570	142,781
Maintenance and operation	154,300	178,110	195,581
Housing Assistance Payments	310,857	325,624	316,586
General expenses	41,321	30,713	41,604
Extraordinary maintenance	18,113	11,678	-
Depreciation	<u>66,642</u>	<u>62,009</u>	<u>55,211</u>
Total operating expenses	<u>970,957</u>	<u>1,005,788</u>	<u>959,772</u>
Operating income/(loss)	(6,398)	(118,495)	(177,274)
NON-OPERATING REVENUES/(EXPENSES)			
Interest income	59	158	312
Other government grants	-	-	-
Capital grants	<u>38,635</u>	<u>16,505</u>	<u>175,269</u>
Total non-operating revenues/(expenses)	<u>38,694</u>	<u>16,663</u>	<u>175,581</u>
Change in net assets	32,296	(101,832)	(1,893)
Prior Period Restatement	(516,260)	-	-
Net position, beginning of year	<u>1,701,944</u>	<u>1,803,776</u>	<u>1,805,669</u>
Net position, end of year	<u>\$ 1,217,980</u>	<u>\$ 1,701,994</u>	<u>\$ 1,803,776</u>

Total operating revenues of \$964,559 increased by \$77,266 or 1.9% compared to 2015 due to an increase in HUD subsidy.

Total operating expenses of \$970,957 decreased by a net amount of \$34,831 or 3.45% compared to 2015. The PHA experienced decreases in maintenance and HAP expenses.

Building occupancy levels were at or near capacity throughout 2016 and 2015.

For the year ended 06/30/16 the Authority was required to implement GASB 68 that required it to record its unfunded pension liability as provided by the State of New Jersey. The net pension liability as of 06/30/2016 is \$422,900. Recording of this liability created a negative unrestricted net position for the Authority of \$461,263 as of 06/30/2016.

Capital Assets and Debt Administration

As of June 30, 2016, the Authority's capital assets net of accumulated depreciation were \$1,689,112.

The Authority had long-term debt outstanding for energy improvements of \$ 6,766.00 at June 30, 2016.

Economic Factors for the Current Year

The Authority has had an operating loss for three of the past five years. The Authority is committed to operating in an efficient manner while maintaining a suitable living environment for its tenants and maintaining a balanced financial position.

The Authority is undertaking actions to increase its score in the current REAC evaluation.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, William J Harris, Housing Authority of the Borough of Clementon, 22 Gibbsboro Road, Clementon, NJ 08021 or call (856)784-1134.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

Statement of Net Position

June 30, 2016

	<u>2016</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 177,601
Accounts receivable - tenants, net	38
Accounts receivable - PHA projects	1,157
Prepaid expenses	<u>13,770</u>
Total current assets	<u>192,566</u>
Capital assets, net	<u>1,689,112</u>
Total assets	<u>1,881,678</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>72,654</u>
Total deferred outflow of resources	<u>72,654</u>
Total assets and deferred outflow of resources	<u>1,954,332</u>
LIABILITIES	
Current liabilities:	
Accounts payable	8,978
Accrued wages and payroll taxes	3,966
Tenant security deposits	13,039
Other accrued liabilities	24,133
Unearned revenue	64,240
Current portion of energy loan	<u>3,684</u>
Total current liabilities	<u>118,040</u>
Long-term liabilities:	
Net pension liability	422,990
Energy loan	6,766
Accrued compensated absences	<u>42,179</u>
Total liabilities	<u>589,975</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>146,377</u>
Total deferred inflow of resources	<u>146,377</u>
Total liabilities and deferred inflow of resources	<u>736,352</u>
NET POSITION	
Net position:	
Invested in capital assets, net of related debt	1,678,662
Restricted	581
Unrestricted	<u>(461,263)</u>
Total net position	<u>1,217,980</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 1,954,332</u>

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

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2016

	2016
Operating revenues:	
Tenant rental revenue	\$ 270,928
HUD operating grants	647,474
Other revenues	46,157
Total operating revenues	964,559
Operating expenses:	
Administrative	207,135
Tenant services	4,508
Utilities	168,081
Ordinary repairs and maintenance	154,300
General expenses	41,321
Housing assistance payments	310,857
Extraordinary maintenance	18,113
Depreciation	66,642
Total operating expenses	970,957
Operating loss	(6,398)
Non-operating revenues:	
Investment income	59
Income before capital grants	(6,339)
Capital grants	38,635
Change in net position	32,296
Net position, July 1	1,701,944
Prior period restatement (See Note 12)	(516,260)
Net position, July 1, as restated	1,185,684
Net position, June 30	\$ 1,217,980

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

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

Statement of Cash Flows

For the year ended June 30, 2016

	<u>2016</u>
Cash flows from operating activities:	
Cash received from tenants	\$ 272,483
Cash received from HUD	653,973
Cash received from other sources	110,397
Cash paid to vendors	(814,344)
Cash paid to employees	<u>(152,693)</u>
Net cash flows from operating activities	<u>69,816</u>
Cash flows from financing activities:	
Purchases of capital assets	(76,736)
Proceeds from grants	38,635
Proceeds from financing	<u>(11,064)</u>
Net cash flows from financing activities	<u>(49,165)</u>
Cash flows from investing activities:	
Interest received on investments	<u>59</u>
Net cash flows from investing activities	<u>59</u>
Net change in cash	20,710
Cash and cash equivalents, beginning of year	<u>156,891</u>
Cash and cash equivalents, end of year	<u><u>\$ 177,601</u></u>
Reconciliation to Statements of Position:	
Cash and cash equivalents	<u><u>\$ 177,601</u></u>
Reconciliation of operating income/(loss) to net cash flows from operating activities:	
Operating income/(loss)	\$ (6,398)
Items which did not use cash:	
Depreciation	66,642
Working capital changes which provided/(used) cash:	
Accounts receivable - tenants, net	(38)
Accounts receivable - PHA projects	(1,157)
Accounts receivable - HUD other projects	7,656
Prepaid expenses	22,030
Accounts payable	(95,787)
Accrued wages and payroll taxes	2,588
Accrued compensated absences	14,581
Tenant security deposits	1,593
Deferred revenue	64,240
Other accrued liabilities	<u>(6,134)</u>
Net cash flows from operating activities	<u><u>\$ 69,816</u></u>

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

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

Notes to Financial Statements For the year ended June 30, 2016

NOTE 1: ORGANIZATION AND PURPOSE

The Housing Authority of the Borough of Clementon (the "Authority") is a governmental public housing agency located in the Borough of Clementon (the "Borough"), County of Camden, State of New Jersey. The Borough is located in southwest New Jersey. The Authority was organized under federal and state housing laws as defined by State statute N.J.S.A. 40A:12A-1, et. seq., (the "Housing Authority Act") for the purpose of providing and operating cost-effective, decent, safe and sanitary dwellings for lower income individuals who are 62 years old or older through an authorized local public housing agency. The Authority is responsible for operating a low-rent housing program, consisting of 70 private dwelling units and several public areas for the tenants' social activities, as well as a Section 8 Housing Choice Vouchers program administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended, Public Law 93-383.42 U.S.C. 1439.

The Authority is governed by a board of six commissioners. The officers of the Authority consist of a chairperson and vice chairperson elected from the board and an executive director who is appointed by the board. The executive director manages the day-to-day operations of the Authority. No commissioner is eligible to hold the position of executive director, except on a temporary basis with the approval of the United States Department of Housing and Urban Development.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

In accordance with Statement No. 39 of the Government Accounting Standards Board ("GASB"), the Authority's financial statements include those of the Authority and any component units. Component units are legally separate, tax-exempt organizations that meet all of the criteria noted below:

- The economic resources received by the separate organization are almost entirely for the direct benefit of the Authority,
- The Authority has the ability to access a majority of the economic resources held by the separate organization,
- The economic resources referred to above are significant to the Authority.

Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is considered a component unit of the Borough of Clementon.

B. Basis of Presentation

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Notes to Financial Statements (continued)
For the year ended June 30, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Use of Management Estimates

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

D. Cash and Cash Equivalents

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

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

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

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

For the Statements 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 acquisition.

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

E. Accounts Receivable - Tenants

Rents are due from tenants on the first day of each month. As a result, tenants' receivable balances primarily consist of rents past due and vacated tenants. An allowance for doubtful accounts is established to provide for all accounts which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts.

F. Prepaid Expenses

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

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Notes to Financial Statements (continued)
For the year ended June 30, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets

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

Equipment	5-7 years
Site improvements	15 years
Buildings	40 years

The Authority has established a capitalization threshold of \$500.

H. Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. See Note 6 for a description of these circumstances.

I. Unearned Revenue

The Authority's unearned revenue primarily consists of the prepayment of lease space for cell towers, prepayment of rent by residents and the receipt of HUD and other program funding applicable to future periods.

J. Operating Revenues and Expenses

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

K. Taxes

The Housing Authority of the Borough of Clementon is exempt by statute from federal and state income taxes.

L. Net Position Classifications

Net position is classified in three components as follows:

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

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Notes to Financial Statements (continued)
For the year ended June 30, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Net Position Classifications (continued)

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

Unrestricted net position - All other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." This component includes net positions that may be allocated for specific purposes by the Board.

M. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

N. Impact of Recently Issued Account Principles

Adopted Accounting Pronouncements

For the year ended June 30, 2016, the Authority implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – (Amendment to GASB Statement No. 27) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the Authority to report as an asset and/or a liability its portion of the collective net pension's asset and/or liability of the New Jersey Public Employees' Retirement System (PERS). The implementation of the Statements also requires the Authority to report a deferred outflow and/or inflow for the effect of the net change in the Authority's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Recently Issued and Adopted Accounting Pronouncements

The Authority has adopted and implemented all current standards of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2016.

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Notes to Financial Statements (continued)
For the year ended June 30, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Impact of Recently Issued Account Principles (continued)

74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending December 31, 2016.

The Authority will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

O. Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with the U.S. Department of Housing and Urban Development (HUD) and N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year with the approval of HUD. The budget is adopted on the accrual basis of accounting with provisions for cash payments for capital outlays. Depreciation expense is not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statement of Revenues, Expenses, and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended.

P. Subsequent Events

Housing Authority of the Borough of Clementon has evaluated subsequent events through October 3, 2016, which is the date the financial statements were available to be issued.

NOTE 3: CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit limitations of New Jersey state law. The deposits held at June 30, 2016, and reported at fair value are as follows:

	<u>2016</u>
Deposits:	
Demand deposits	<u>\$ 177,601</u>
Total deposits	<u><u>\$ 177,601</u></u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	<u>\$ 177,601</u>
Total	<u><u>\$ 177,601</u></u>

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Notes to Financial Statements (continued)
For the year ended June 30, 2016

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2016, the Authority's bank balance of \$177,773 was insured or collateralized as follows:

	<u>2016</u>
Insured	\$ <u>177,773</u>
Total deposits	\$ <u>177,773</u>

NOTE 4: CAPITAL ASSETS, NET

A summary of the changes in capital assets during 2016 is as follows:

<u>Description</u>	<u>June 30,</u> <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2016</u>
Land	\$ 26,974	\$ -	\$ -	\$ 26,974
Construction in progress	7,370	825	(8,195)	-
Buildings and improvements	3,327,285	83,585	-	3,410,870
Furniture and equipment	<u>73,769</u>	<u>2,488</u>	<u>-</u>	<u>76,257</u>
Total capital assets	3,435,398	86,898	(8,195)	3,514,101
Less: accumulated depreciation	<u>(1,758,347)</u>	<u>(66,642)</u>	<u>-</u>	<u>(1,824,989)</u>
Capital assets, net	<u>\$ 1,677,051</u>	<u>\$ 20,256</u>	<u>\$ (8,195)</u>	<u>\$ 1,689,112</u>

Depreciation expense for the years ended June 30, 2016 was \$66,642.

NOTE 5: NONCURRENT LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in long-term debt:

	<u>Balance</u> <u>06/30/15</u>	<u>Accrued/</u> <u>increases</u>	<u>Retired/</u> <u>decreases</u>	<u>Balance</u> <u>06/30/16</u>	<u>Due within</u> <u>one year</u>
Compensated absences	\$ 27,598	\$ 14,581	\$ -	\$ 42,179	\$ -
Energy loan	-	11,064	(614)	10,450	3,684
Net pension liability	<u>465,510</u>	<u>-</u>	<u>(42,520)</u>	<u>422,990</u>	<u>-</u>
Total	<u>\$493,108</u>	<u>\$ 25,645</u>	<u>\$ (43,134)</u>	<u>\$475,619</u>	<u>\$ 3,684</u>

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Notes to Financial Statements (continued)
For the year ended June 30, 2016

NOTE 5: NONCURRENT LIABILITIES (continued)

A. Energy Loan

On April 12, 2016 the Authority was issued a promissory note from Energy Finance Solutions in order to fund certain energy and HVAC improvements. The note bears no interest and is payable over 36 months.

The following is a schedule of future minimum payments at June 30, 2016:

Fiscal Year	
<u>Ended</u>	<u>Total</u>
2017	\$ 3,688
2018	3,688
2019	<u>3,074</u>
Total	<u>\$ 10,450</u>

NOTE 6: COMPENSATED ABSENCES

A. Annual Leave

The employees of the Authority are entitled to annual leave based on length of service:

<u>Length of Service</u>	<u>Number of Days</u>
1 year - 3 years	6
After 3 years	10
After 5 years	15
After 10 years	20
After 20 years	30

Annual leave not taken by employees may be carried over and used in the next succeeding calendar year only. An employee who is permanently separated shall be paid in a lump sum for any accumulated annual leave at his/her current rate of pay, except where his/her dismissal is due to malfeasance. In no other event shall an employee be paid for annual leave not taken.

B. Sick Leave

Employees may be paid for leave taken because of illness or accident. Sick leave will accrue for regular full time employees at the rate of one day per month during the first year of employment and one and one-quarter days per month in every calendar year thereafter and shall accumulate from year to year.

Sick leave may be accumulated not to exceed 120 days. Sick leave buy-back employees, upon leaving the employ of the Authority shall be entitled to twenty five percent (25%) of accumulated sick leave not to exceed \$10,000. However, any full time employee who is eligible to retire in accordance with the State Retirement Act and who, having given the Executive Director not less than two (2) weeks advance written notice thereof does retire, shall be paid fifty (50%) of the value of his/her unused accumulated sick leave at the time of his/her retirement, not to exceed the sum of \$10,000.

The total value of compensated absences at June 30, 2016 was \$42,179.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Notes to Financial Statements (continued)
For the year ended June 30, 2016

NOTE 7: PAYMENTS IN LIEU OF TAXES

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes ("PILOT") for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with Clementon Borough. Under the Cooperation Agreement, the Authority must pay the Borough the lesser of 10% of its net shelter rent or the approximate full real property taxes. For the year ended June 30, 2016, the Authority incurred PILOT expenses in the amount of \$0.

NOTE 8: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to 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. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

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

Allocation Methodology and Reconciliation to Financial Statements - GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, requires participating employers in the New Jersey Public Employees' Retirement System (PERS) to recognize their proportionate share of the collective net pension liability, collective deferred outflows and inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Notes to Financial Statements (continued)
For the year ended June 30, 2016

NOTE 8: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

The employer allocation percentages presented and applied are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2014 through June 30, 2015. The employer allocation percentages have been rounded for presentation purposes, therefore amounts may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015 and 2014, the State's pension contribution was less than the actuarial determined amount. 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. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2016	\$ 16,200	100%	\$ 422,990
6/30/2015	\$ 20,497	100%	\$ 465,510
6/30/2014	\$ 23,659	100%	\$ 538,930

Components of Net Pension Liability - At June 30, 2016, the Authority reported a liability of \$422,990 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The Authority's proportion measured as of June 30, 2015, was .00188%, which was a decrease of .00060% from its proportion measured as of June 30, 2014.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Notes to Financial Statements (continued)
For the year ended June 30, 2016

NOTE 8: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

Collective Balances at June 30, 2016 and June 30, 2015

	<u>6/30/2016</u>	<u>6/30/2015</u>
	June 30, 2015	June 30, 2014
Actuarial valuation date (including roll forward)		
Deferred Outflows of Resources	\$ 72,654	\$ 35,135
Deferred Inflows of Resources	\$ 146,377	\$ 81,585
Net Pension Liability	\$ 422,990	\$ 465,510
Authority's portion of the Plan's total net pension Liability	0.00188%	0.00249%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2016, the Authority recognized a pension credit of \$2,410. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 45,426	\$ -
Net difference between expected and actual experience	10,091	-
Net difference between projected and actual earnings on pension plan investments	-	6,801
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	139,576
Authority contributions subsequent to the measurement date	17,137	-
Total	<u>\$ 72,654</u>	<u>\$ 146,377</u>

\$16,200 reported as pension payable resulting from the Authority's contributions subsequent to the measurement date (i.e. for the fiscal year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Notes to Financial Statements (continued)
For the year ended June 30, 2016

NOTE 8: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

<u>Year Ended June 30:</u>	<u>PERS</u>
2017	\$ (19,242)
2018	(19,242)
2019	(19,242)
2020	(12,306)
2021	(3,691)
Thereafter	-

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>PERS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Investment rate of return	7.90%
Salary increases:	2012-2021 - 2.15-4.40% based on age Thereafter - 3.15-5.40% based on age
Inflation rate	3.04%

Mortality rates were based on the RP-2000 Combined Healthy Male or Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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 may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) 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

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Notes to Financial Statements (continued)
For the year ended June 30, 2016

NOTE 8: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

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 PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended 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 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Notes to Financial Statements (continued)
For the year ended June 30, 2016

NOTE 8: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

	<u>1%</u> <u>Decrease</u> <u>(3.90%)</u>	<u>Current</u> <u>Discount</u> <u>Rate (4.90%)</u>	<u>1%</u> <u>Increase</u> <u>(5.90%)</u>
Authority's proportionate share of the net pension liability	\$ 525,724	\$ 422,990	\$ 336,857

NOTE 9: POST EMPLOYMENT BENEFITS

The Authority participates in the New Jersey State Health Benefits Program (“the SHBP”), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions” (“OPEB”). The SHBP is administered by the State of New Jersey, Department of the Treasury, Division of Pension and Benefits.

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

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

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

NOTE 10: ECONOMIC DEPENDENCY

The Low Rent Public Housing and Housing Choice Voucher programs are economically dependent on annual grants from the United States Department of Housing and Urban Development.

NOTE 11: CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of June 30, 2016, the Authority estimates that no material liabilities will result from such audits.

There is no ongoing litigation that could have an adverse impact regarding the Authority’s financial condition.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Notes to Financial Statements (continued)
For the year ended June 30, 2016

NOTE 12: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

Net position as of July 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

		Governmental <u>Activities</u>
Net Position as previously reported at June 30, 2015	\$	1,701,944
Prior period adjustment -		
Implementation of GASB 68:		
Net Pension Liability (measurement date as of June 30, 2014)		(465,510)
PERS Pension Payable (2015 Authority PERS Pension Contribution)		16,197
Deferred Outflows (measurement date as of June 30, 2014)		14,638
Deferred Inflows (measurement date as of June 30, 2014)		(81,585)
Total prior period adjustment		<u>(516,260)</u>
Net Position as restated, July 1, 2015	\$	<u><u>1,185,684</u></u>

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Detailed Statement of Revenues, Expenses and Changes in Net Position Compared to Budget
Low Income Housing Program
For the year ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Operating revenues:				
Dwelling rental / excess utilities	\$ 260,948	\$ 260,948	\$ 270,928	\$ 9,980
Non-dwelling revenues	40,622	40,622	46,157	5,535
HUD operating grants	268,003	268,003	304,031	36,028
Total operating revenues	<u>569,573</u>	<u>569,573</u>	<u>621,116</u>	<u>51,543</u>
Operating expenses:				
Administration:				
Salaries	96,640	96,640	102,579	(5,939)
Fringe benefits	20,744	20,744	15,274	5,470
Legal	9,000	9,000	9,210	(210)
Staff Training	5,500	5,500	2,803	2,697
Travel	1,470	1,470	767	703
Accounting and Auditing	13,400	13,400	15,200	(1,800)
Miscellaneous	26,340	26,340	30,523	(4,183)
Total administration operating expenses	<u>173,094</u>	<u>173,094</u>	<u>176,356</u>	<u>(3,262)</u>
Cost of providing services:				
Operating and maintenance	146,190	146,190	149,005	(2,815)
Tenant services	5,200	5,200	4,508	692
Utilities	159,709	159,709	166,436	(6,727)
Protective services	11,080	11,080	-	11,080
General expenses	33,462	33,462	23,980	9,482
Extraordinary maintenance	4,500	4,500	18,113	(13,613)
Fringe benefits	18,609	18,609	17,342	1,267
Total cost of providing services	<u>378,750</u>	<u>378,750</u>	<u>379,384</u>	<u>(634)</u>
Total operating expenses	<u>551,844</u>	<u>551,844</u>	<u>555,740</u>	<u>(3,896)</u>
Total operating income	<u>17,729</u>	<u>17,729</u>	<u>65,376</u>	<u>55,439</u>
Non-operating revenues				
Interest income	250	250	59	(191)
Capital grants	-	-	38,635	38,635
Total non-operating revenues	<u>250</u>	<u>250</u>	<u>38,694</u>	<u>38,444</u>
Change in net position - budgetary basis	17,979	17,979	104,070	93,883
Less:				
Depreciation	-	-	66,642	(66,642)
Change in net position - accrual basis	17,979	17,979	37,428	27,241
Net position, beginning of year	1,695,983	1,695,983	1,695,983	-
Prior period restatement	(516,260)	(516,260)	(516,260)	-
Net position, beginning of year, as restated	<u>1,179,723</u>	<u>1,179,723</u>	<u>1,179,723</u>	<u>-</u>
Net position, end of year	<u>\$ 1,197,702</u>	<u>\$ 1,197,702</u>	<u>\$ 1,217,151</u>	<u>\$ 27,241</u>

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Detailed Statement of Revenues, Expenses and Changes in Net Position Compared to Budget
Housing Choice Voucher Program
For the year ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Operating revenues:				
Housing assistance payments	\$ 367,256	\$ 367,256	308,975	\$ (58,281)
Administrative fee	-	-	34,468	34,468
Total operating revenues	<u>367,256</u>	<u>367,256</u>	<u>343,443</u>	<u>(23,813)</u>
Operating expenses:				
Administration:				
Salaries	-	-	3,027	(3,027)
Accounting and auditing	4,400	4,400	5,300	(900)
Other operating administrative expenses	4,174	4,174	3,250	924
Total administration expenses	<u>8,574</u>	<u>8,574</u>	<u>11,577</u>	<u>(3,003)</u>
Cost of providing services:				
Housing assistance payments	334,250	334,250	310,857	23,393
Contract cost	24,432	24,432	26,141	(1,709)
Total cost of providing services	<u>358,682</u>	<u>358,682</u>	<u>336,998</u>	<u>21,684</u>
Total operating expenses	<u>367,256</u>	<u>367,256</u>	<u>348,575</u>	<u>18,681</u>
Operating income	<u>-</u>	<u>-</u>	<u>(5,132)</u>	<u>(42,494)</u>
Change in net position - budgetary & accrual basis	-	-	(5,132)	(42,494)
Net position, beginning of year	5,961	5,961	5,961	-
Net position, end of year	<u>\$ 5,961</u>	<u>\$ 5,961</u>	<u>\$ 829</u>	<u>\$ (42,494)</u>

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset)	0.00188%	0.00249%	0.00282%
Authority's proportionate share of the net pension liability (asset)	\$ 422,990	\$ 465,510	\$ 538,930
Authority's covered-employee payroll	\$ 134,144	\$ 133,942	\$ 133,740
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	315.33%	347.55%	402.97%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%	48.72%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
SCHEDULE OF AUTHORITY CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 16,200	\$ 20,497	\$ 23,659
Contributions in relation to the contractually required contribution	<u>\$ 16,200</u>	<u>\$ 20,497</u>	<u>\$ 23,659</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
Authority's covered-employee payroll	\$ 134,144	\$ 133,942	\$ 133,740
Contributions as a percentage of covered-employee payroll	<u>12%</u>	<u>15%</u>	<u>18%</u>

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Housing Authority of the Borough of Clementon
Notes to the Required Supplementary Information
For the year ended June 30, 2016

Public Employees' Retirement System (PERS)

Basis of Presentation. The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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

Changes of assumptions. 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 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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 may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Financial Data Schedules
For the year ended June 30, 2016

	Project Total	14,671 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$157,515	\$6,966	\$164,481		\$164,481
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted		\$581	\$581		\$581
114 Cash - Tenant Security Deposits	\$12,539		\$12,539		\$12,539
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$170,054	\$7,547	\$177,601	\$0	\$177,601
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous	\$1,157		\$1,157		\$1,157
126 Accounts Receivable - Tenants	\$38		\$38		\$38
126.1 Allowance for Doubtful Accounts - Tenants					
126.2 Allowance for Doubtful Accounts - Other					
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,195	\$0	\$1,195	\$0	\$1,195
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$13,770		\$13,770		\$13,770
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From	\$1,418		\$1,418	(\$1,418)	\$0
145 Assets Held for Sale					
150 Total Current Assets	\$186,437	\$7,547	\$193,984	(\$1,418)	\$192,566
161 Land	\$26,974		\$26,974		\$26,974
162 Buildings	\$3,371,104		\$3,371,104		\$3,371,104
163 Furniture, Equipment & Machinery - Dwellings					
164 Furniture, Equipment & Machinery - Administration	\$76,257		\$76,257		\$76,257
165 Leasehold Improvements	\$39,765		\$39,765		\$39,765
166 Accumulated Depreciation	(\$1,824,988)		(\$1,824,988)		(\$1,824,988)
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,689,112	\$0	\$1,689,112	\$0	\$1,689,112
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past					
173 Grants Receivable - Non Current					

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Financial Data Schedules
For the year ended June 30, 2016

	Project Total	14,671 Housing Choice Vouchers	Subtotal	ELIM	Total
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$1,689,112	\$0	\$1,689,112	\$0	\$1,689,112
190 Total Assets	\$1,875,549	\$7,547	\$1,883,096	(\$1,418)	\$1,881,678
200 Deferred Outflow of Resources	\$72,654		\$72,654		\$72,654
290 Total Assets and Deferred Outflow of Resources	\$1,948,203	\$7,547	\$1,955,750	(\$1,418)	\$1,954,332
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$8,978		\$8,978		\$8,978
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$3,966		\$3,966		\$3,966
322 Accrued Compensated Absences - Current Portion					
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits	\$12,539		\$12,539		\$12,539
342 Unearned Revenue	\$64,240		\$64,240		\$64,240
343 Current Portion of Long-term Debt - Capital	\$3,684		\$3,684		\$3,684
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities	\$500		\$500		\$500
346 Accrued Liabilities - Other	\$18,833	\$5,300	\$24,133		\$24,133
347 Inter Program - Due To		\$1,418	\$1,418	(\$1,418)	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$112,740	\$6,718	\$119,458	(\$1,418)	\$118,040
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	\$6,766		\$6,766		\$6,766
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current	\$42,179		\$42,179		\$42,179
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities	\$422,990		\$422,990		\$422,990
350 Total Non-Current Liabilities	\$471,935	\$0	\$471,935	\$0	\$471,935
300 Total Liabilities	\$584,675	\$6,718	\$591,393	(\$1,418)	\$589,975
400 Deferred Inflow of Resources	\$146,377		\$146,377		\$146,377

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Financial Data Schedules
For the year ended June 30, 2016

	Project Total	14,671 Housing Choice Vouchers	Subtotal	ELIM	Total
508.4 Net Investment in Capital Assets	\$1,678,662		\$1,678,662		\$1,678,662
511.4 Restricted Net Position		\$581	\$581		\$581
512.4 Unrestricted Net Position	(\$461,511)	\$248	(\$461,263)		(\$461,263)
513 Total Equity - Net Assets / Position	\$1,217,151	\$829	\$1,217,980	\$0	\$1,217,980
600 Total Liab., Def. Inflow of Res. and Equity - Net Assets /	\$1,948,203	\$7,547	\$1,955,750	(\$1,418)	\$1,954,332
70300 Net Tenant Rental Revenue	\$270,928		\$270,928		\$270,928
70400 Tenant Revenue - Other	\$9,670		\$9,670		\$9,670
70500 Total Tenant Revenue	\$280,598	\$0	\$280,598		\$280,598
70600 HUD PHA Operating Grants	\$304,031	\$343,443	\$647,474		\$647,474
70610 Capital Grants	\$38,635		\$38,635		\$38,635
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					
71100 Investment Income - Unrestricted	\$59		\$59		\$59
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$36,487		\$36,487		\$36,487
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$659,810	\$343,443	\$1,003,253		\$1,003,253
91100 Administrative Salaries	\$102,579	\$3,026	\$105,605		\$105,605
91200 Auditing Fees	\$6,280	\$3,000	\$9,280		\$9,280
91300 Management Fee		\$26,141	\$26,141		\$26,141
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$8,380		\$8,380		\$8,380
91600 Office Expenses	\$15,216		\$15,216		\$15,216
91700 Legal Expense	\$9,210		\$9,210		\$9,210
91800 Travel	\$767		\$767		\$767
91810 Allocated Overhead					
91900 Other	\$26,985	\$5,551	\$32,536		\$32,536
91000 Total Operating - Administrative	\$169,417	\$37,718	\$207,135		\$207,135

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Financial Data Schedules
For the year ended June 30, 2016

	Project Total	14,671 Housing Choice Vouchers	Subtotal	ELIM	Total
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$4,508		\$4,508		\$4,508
92500 Total Tenant Services	\$4,508	\$0	\$4,508		\$4,508
93100 Water	\$16,548		\$16,548		\$16,548
93200 Electricity	\$53,958		\$53,958		\$53,958
93300 Gas	\$35,755		\$35,755		\$35,755
93400 Fuel					
93500 Labor	\$20,135		\$20,135		\$20,135
93600 Sewer	\$40,040		\$40,040		\$40,040
93700 Employee Benefit Contributions - Utilities	\$1,645		\$1,645		\$1,645
93800 Other Utilities Expense					
93000 Total Utilities	\$168,081	\$0	\$168,081		\$168,081
94100 Ordinary Maintenance and Operations - Labor	\$64,256		\$64,256		\$64,256
94200 Ordinary Maintenance and Operations - Materials and Other	\$9,184		\$9,184		\$9,184
94300 Ordinary Maintenance and Operations Contracts	\$75,611		\$75,611		\$75,611
94500 Employee Benefit Contributions - Ordinary Maintenance	\$5,249		\$5,249		\$5,249
94000 Total Maintenance	\$154,300	\$0	\$154,300		\$154,300
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services	\$0	\$0	\$0		\$0
95000 Total Protective Services	\$0	\$0	\$0		\$0
96110 Property Insurance	\$7,466		\$7,466		\$7,466
96120 Liability Insurance	\$7,466		\$7,466		\$7,466
96130 Workmen's Compensation	\$13,993		\$13,993		\$13,993
96140 All Other Insurance	\$1,949		\$1,949		\$1,949
96100 Total Insurance Premiums	\$30,874	\$0	\$30,874		\$30,874
96200 Other General Expenses					
96210 Compensated Absences	\$10,447		\$10,447		\$10,447
96300 Payments in Lieu of Taxes					
96400 Bad debt - Tenant Rents					
96500 Bad debt - Mortgages					
96600 Bad debt - Other					

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Financial Data Schedules
For the year ended June 30, 2016

	Project Total	14,671 Housing Choice Vouchers	Subtotal	ELIM	Total
96800 Severance Expense					
96000 Total Other General Expenses	\$10,447		\$10,447		\$10,447
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		
96900 Total Operating Expenses	\$537,627	\$37,718	\$575,345		\$575,345
97000 Excess of Operating Revenue over Operating Expenses	\$122,183	\$305,725	\$427,908		\$427,908
97100 Extraordinary Maintenance	\$18,113		\$18,113		\$18,113
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		\$310,857	\$310,857		\$310,857
97350 HAP Portability-In					
97400 Depreciation Expense	\$66,642		\$66,642		\$66,642
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$622,382	\$348,575	\$970,957		\$970,957
10010 Operating Transfer In	\$81,934		\$81,934		\$81,934
10020 Operating Transfer Out	(\$81,934)		(\$81,934)		(\$81,934)
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out		\$0	\$0		
10100 Total Other Financing Sources (Uses)	\$0	\$0	\$0		
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$37,428	(\$5,132)	\$32,296		\$32,296
11020 Required Annual Debt Principal Payments	\$615	\$0	\$615		\$615
11030 Beginning Equity	\$1,695,983	\$5,961	\$1,701,944		\$1,701,944
11040 Prior Period Adjustments, Equity Transfers and Correction	(\$516,260)	\$0	(\$516,260)		(\$516,260)

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Financial Data Schedules
For the year ended June 30, 2016

	Project Total	14,671 Housing Choice Vouchers	Subtotal	ELIM	Total
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					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity		\$248	\$248		\$248
11180 Housing Assistance Payments Equity		\$581	\$581		\$581
11190 Unit Months Available	\$840	\$498	\$1,338		\$1,338
11210 Number of Unit Months Leased	\$836	\$498	\$1,334		\$1,334
11270 Excess Cash	\$4,678		\$4,678		\$4,678
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$38,635		\$38,635		\$38,635
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0		\$0
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON
Statement and Certification of Actual Capital Fund Grant Costs
For the year ended June 30, 2016

1. The Actual Capital Fund Grant Costs of Program NJ39P073501-16 is as follows:

Actual Capital Fund Grant Costs:

	<u>CFP No. NJ39P064501-16</u>
Fund Approved	\$ 81,934
Funds Expended	<u>81,934</u>
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 81,934
Funds Expended	81,934
	<u>\$ -</u>

2. All Capital Fund Grant Costs have been paid and all related liabilities have been discharged through payment.



To the Board of Commissioners
Housing Authority of the Borough of Clementon
Clementon, New Jersey 08021

We have audited the financial accounts and transactions of the Housing Authority of the Borough of Clementon in the County of Camden, State of New Jersey for the year ended June 30, 2016. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Contracts and Agreements Requiring Solicitation of Quotations

The Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of *N.J.S.A.40A:11-6.1*.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

**** Comment 2016-001:***

During our substantive testing it was noted that the Authority does not use a pre-numbered purchase order system which requires that appropriations are encumbered when purchase orders are issued, a signature certifying that funds are available prior to payment and a claimant's signature filing a formal demand for payment by the vendor.

Recommendation:

The Authority should comply with *N.J.S.A. 40A:5-16* of the Rules and Regulations of the New Jersey Department of Community Affairs, Local Finance Board.

Management's Response:

The Authority will correct this issue.

Payroll Fund

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies.

Property, Plant and Equipment

The property, plant and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Acknowledgment

We received the complete cooperation of all the Authority officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

Any problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions or should you desire any additional assistance, please call us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

October 03, 2016
Toms River, New Jersey