

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2016

**WITH
REPORT OF INDEPENDENT AUDITORS**

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
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REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners
Housing Authority of the Borough of Carteret:

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Borough of Carteret as of and for the year ended December 31, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Borough of Carteret as of December 31, 2016, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension contributions and schedule of net pension liability be presented to supplement the 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 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the Borough of Carteret's financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements. The accompanying financial data schedule is also not a required part of the financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards and financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards and financial data schedule are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2017 on our consideration of the Housing Authority of the Borough of Carteret's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the Borough of Carteret's internal control over financial reporting and compliance.

Novogradac & Company LLP

August 2, 2017
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2016**

As Management of the Housing Authority of the Borough of Carteret ("the Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

A Financial Highlights

1. The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$735,560 (net position) as opposed to \$996,160 for the prior fiscal year.
2. As of the close of the current fiscal year, the Authority's proprietary fund reported ending unrestricted net deficit of \$1,715,896.
3. The Authority's cash and cash equivalent balance (including restricted cash) at December 31, 2016 was \$1,859,442 representing an increase of \$305,105 from the prior fiscal year.
4. The Authority had total operating revenues of \$8,695,036 and total operating expenses of \$9,030,722 for the year ended December 31 2016.
5. The Authority's capital outlays for the fiscal year were \$22,976.
6. The Authority's expenditures of federal awards amounted to \$7,619,317 for the fiscal year.

B. Using the Annual Report

1. Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements and notes to financial statements included in this report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for proprietary fund types.

**HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2016**

B. Using the Annual Report (continued)

2. Basic Financial Statements

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

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

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

The Statement of Cash Flows presents relevant information about the Authority's cash receipts and cash payments during the year.

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

3. Notes to Financial Statements

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

**HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2016**

B. Using the Annual Report (continued)

4. Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Schedule of Expenditures of Federal Awards can be found on page 37 of this report.

C. The Authority as a Whole

The Authority's net position decreased during the fiscal year as detailed on the next page. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were not sufficient to cover all expenses during the fiscal year.

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

**HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2016**

C. The Authority as a Whole (continued)

Computation of Net Position is as follows:

	December 31,			%
	2016	2015	Variance	Change
Cash and Other Current Assets	\$ 2,046,499	\$ 1,666,677	\$ 379,822	23.79%
Restricted Cash	61,971	-	61,971	100.00%
Capital Assets, Net	3,699,241	3,748,824	(49,583)	-1.32%
Deferred Outflows of Resources	<u>1,362,360</u>	<u>505,448</u>	<u>856,912</u>	170.00%
 Total Assets and Deferred Outflows	 7,170,071	 5,920,949	 1,249,122	 1.21%
Less: Total Liabilities and Deferred				
Inflows of Resources	<u>6,434,511</u>	<u>4,924,789</u>	<u>1,509,722</u>	30.66%
Net Position	<u>\$ 735,560</u>	<u>\$ 996,160</u>	<u>\$ (260,600)</u>	-26.16%
 Net Investment in Capital Assets	 \$ 2,389,485	 \$ 2,523,824	 \$ (134,339)	 -5.32%
Restricted Net Position	61,971	-	61,971	100.00%
Unrestricted Net Position	<u>(1,715,896)</u>	<u>(1,527,664)</u>	<u>(188,232)</u>	12.32%
Total Net Position	<u>\$ 735,560</u>	<u>\$ 996,160</u>	<u>\$ (260,600)</u>	-26.16%

- Capital assets, net decreased \$49,583. The Authority acquired \$22,976 in new capital assets which was offset by \$72,559 in depreciation expense.
- Cash and cash equivalents (including restricted cash) increased \$305,105. The Authority generated \$352,995 in operating activities and used \$47,890 in investing activities.
- Bonds payable decreased \$100,000 as the Authority utilized their portion of their capital fund allocation to pay bond payments due in 2016.
- Deferred outflows of resources increased \$856,912, deferred inflows of resources decreased \$72,196 and the net pension liability increased \$1,242,262 as the Authority updated their unfunded pension accrual as reported to them by the State of New Jersey.

**HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2016**

C. The Authority as a Whole (continued)

Computations of the Changes in Net Position is as follows:

	December 31,			%
	2016	2015	Variance	Change
<u>Operating revenues:</u>				
Tenant Revenues	\$ 1,029,987	\$ 991,424	\$ 38,563	3.89%
HUD Operating Grants	7,100,712	7,002,179	98,533	2.84%
Other Revenues	<u>564,337</u>	<u>853,485</u>	<u>-289,148</u>	33.88%
Total Revenues	<u>8,695,036</u>	<u>8,847,088</u>	<u>-152,052</u>	-1.72%
<u>Operating Expenses:</u>				
Other Operating Expenses	3,190,458	2,824,234	366,224	0.88%
Housing Assistance Payments	5,767,705	5,669,765	97,940	1.73%
Depreciation	<u>72,559</u>	<u>481,182</u>	<u>-408,623</u>	-84.92%
Total Operating Expenses	<u>9,030,722</u>	<u>8,975,181</u>	<u>55,541</u>	0.62%
Operating Loss	<u>(335,686)</u>	<u>(128,093)</u>	<u>-207,593</u>	162.02%
<u>Other Revenues (Expense):</u>				
Interest expense	(54,370)	(58,746)	4,376	-7.45%
Interest income	6,480	6,492	-12	n/a
Gain on sale of capital assets	-	45,500	-45,500	-100.00%
Capital Grants	<u>122,976</u>	<u>173,303</u>	<u>-50,327</u>	-29.04%
Net Other Revenue (Expense)	<u>75,086</u>	<u>166,549</u>	<u>-91,463</u>	-54.92%
Change in Net Position	(260,600)	38,456	-299,056	-777.66%
Net Position, Beginning of Year	<u>996,160</u>	<u>957,704</u>	<u>38,456</u>	1.04%
Net Position, End of Year	<u>\$ 735,560</u>	<u>\$ 996,160</u>	<u>\$ (260,600)</u>	-26.16%

**HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2016**

C. The Authority as a Whole (continued)

- HUD operating grants increased \$98,533 from 2015 to 2016 as a result of the Low Rent Public Housing Program receiving \$41,999 less in subsidy and the Capital Fund program utilizing \$95,911 less of their allocation for operations which was offset by an increase in Housing Choice Vouchers Program funding of \$236,443.
- Other operating expenses increased \$366,224 from December 31, 2015 to December 31, 2016 primarily due to increases in employee benefit costs.
- Administrative expenses (including tenant services) increased \$366,224 primarily due to increases in the Authority's unfunded pension liability of \$313,154.
- Utility expenses decreased from \$798,428 in 2015 to \$741,690 in 2016 primarily due to decreases in labor and employee benefit costs.
- Ordinary maintenance and operations expense increased from \$405,893 to \$567,541 from 2015 to 2016 primarily due to the increase of allocated salaries and benefits.
- Housing assistance payments increased \$97,940 as the Authority had sixty-two (62) more unit months under lease in the Housing Choice Voucher Program.

a. Budgetary Highlights

For the year ended December 31, 2016, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. Also, the Authority adopted a comprehensive annual budget for the general fund. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency. As indicated by the Statement of Revenue, Expenses and Changes in Net Position, the Authority's net position decreased during the fiscal year.

**HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2016**

C. The Authority as a Whole (continued)

b. Capital Assets and Debt Administration

1. Capital Assets

As of December 31, 2016, the Authority's net investment in capital assets for its Proprietary Fund was \$2,389,485. This investment in capital assets net of related debt includes land, buildings, equipment and construction in progress, offset by accumulated depreciation and capital debt.

Major capital assets purchased during the fiscal year totaled \$22,976, of which all pertained to expenditures made in accordance with the Authority's Capital Fund Program. These activities are funded by grants from HUD.

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

2. Bonds Payable

Bonds payable relate to the leveraging of the Authority's future Capital Grants.

During 2004, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, 2004 Series A on December 23, 2004. The Authority's share of funds from the bond issue pool amounted to \$2,050,000.

Repayment of the funds leveraged shall be budgeted from Capital Fund allocations received by the Authority from the Department of Housing and Urban Development. Interest accrues at 4.12% and is payable semi-annually on May 1st and November 1st.

See Note 8 in the Notes to the Financial Statements for more information.

**HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2016**

C. The Authority as a Whole (continued)

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

The following factors were considered in preparing the Authority's budget for the fiscal year ended December 31, 2017:

1. The state of the economy.
2. The need for Congress to fund the war on terrorism.
3. The use of the Authority's unrestricted cash to fund any shortfalls rising from an economic downturn and reduced subsidies and grants. The Authority's unrestricted cash appears sufficient to cover any shortfall.

d. 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 Eric Chubenko, Executive Director, Housing Authority of the Borough of Carteret, 96 Roosevelt Avenue, Carteret, NJ 07201.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,714,917
Accounts receivable, net	180,147
Prepaid expenses	<u>68,881</u>
Total current assets	<u>1,963,945</u>
Non-current assets:	
Restricted cash	144,525
Capital assets, net	<u>3,699,241</u>
Total assets	<u>5,807,711</u>

DEFERRED OUTFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>1,362,360</u>
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See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
STATEMENT OF NET POSITION (continued)
AS OF DECEMBER 31, 2016

LIABILITIES

Current liabilities:	
Accounts payable	\$ 60,510
Accounts payable - other government	29,320
Accrued expenses	34,119
Accrued compensated absences, current	18,569
Tenant security deposits	75,303
Unearned revenue	517,961
Current portion of bonds payable	<u>105,000</u>
Total current liabilities	<u>840,782</u>
Non-current liabilities:	
Accrued compensated absences, noncurrent	167,135
Bonds payable, net of current portion	1,020,000
Net pension liability	<u>4,247,446</u>
Total non-current liabilities	<u>5,434,581</u>
Total liabilities	<u>6,275,363</u>

DEFERRED INFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>159,148</u>
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NET POSITION

Net position:	
Net investment in capital assets	2,389,485
Restricted	61,971
Unrestricted (deficit)	<u>(1,715,896)</u>
Total net position	<u>\$ 735,560</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016

Operating revenues:	
Tenant revenue	\$ 1,029,987
HUD operating grants	7,100,712
Other revenues	<u>564,337</u>
Total operating revenue	<u>8,695,036</u>
Operating expenses:	
Administrative	1,623,495
Utilities	741,690
Ordinary maintenance and operations	567,541
General	257,732
Housing assistance payments	5,767,705
Depreciation	<u>72,559</u>
Total operating expenses	<u>9,030,722</u>
Operating loss	<u>(335,686)</u>
Non-operating revenues (expenses):	
Interest expense	(54,370)
Investment income	<u>6,480</u>
Net non-operating revenues (expenses)	<u>(47,890)</u>
Loss before capital grants	(383,576)
Capital grants	<u>122,976</u>
Changes in net position	(260,600)
Total net position, beginning of year	<u>996,160</u>
Total net position, end of year	<u>\$ 735,560</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

Cash Flows from Operating Activities:	
Cash received from tenants	\$ 2,031,017
Cash received from grantors	7,041,871
Cash paid to suppliers	(7,706,738)
Cash paid to employees	<u>(1,013,155)</u>
Net cash flows provided by operating activities	<u>352,995</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(22,976)
Capital grants	122,976
Principal payments on bonds payable	<u>(100,000)</u>
Net cash flows used by capital and related financing activities	<u>-</u>
Cash Flows from Investing Activities:	
Investment income	6,480
Investment expense	<u>(54,370)</u>
Net cash flows used by investing activities	<u>(47,890)</u>
Net increase in cash	305,105
Cash and cash equivalents, beginning of year	<u>1,554,337</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,859,442</u></u>
A reconciliation of cash and cash equivalents to the Statement of Net Position is as follows:	
Unrestricted cash and cash equivalents	\$ 1,714,917
Restricted cash and cash equivalents	<u>144,525</u>
	<u><u>\$ 1,859,442</u></u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
STATEMENT OF CASH FLOWS (continued)
YEAR ENDED DECEMBER 31, 2016

Reconciliation of operating loss to net cash provided by
operating activities:

Operating loss	\$ (335,686)
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Adjustments to reconcile operating loss to net cash provided
by operating activities:

Depreciation	72,559
Bad debts	9,615

Changes in assets, liabilities, deferred inflows and deferred
outflows of resources:

Accounts receivable - HUD	(58,841)
Accounts receivable - tenants	(19,227)
Accounts receivable - miscellaneous	(22,902)
Prepaid expenses	(45,333)
Deferred outflows of resources	(856,912)
Deferred inflows of resources	(72,196)
Accounts payable	(42,526)
Accounts payable - other government	(1,982)
Accrued expenses	(3,750)
Accrued compensated absences	18,707
Tenant security deposits	1,925
Prepaid rents	467,282
Net pension liability	<u>1,242,262</u>

Net cash provided by operating activities	\$ <u><u>352,995</u></u>
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HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

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

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

B. Description of Programs

Public and Indian Housing Program

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

Section 8 Housing Choice Voucher Program

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

Public Housing Capital Fund Program

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

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity

In accordance with Statement No. 61 of the Governmental Accounting Standards Board ("GASB"), the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate, tax-exempt organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

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

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 not included in any other reporting entity on the basis of such criteria.

D. Basis of Accounting

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

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* ("GASB 34"), as amended. GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplemental Information.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* ("GASB 33"), 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.

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

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

Both administrative fee and HAP revenues continue to be recognized under the guidelines set forth in GASB 33. Accordingly, both the time and purpose restrictions, as defined by GASB 33, are met when these funds are available and measurable, not when these funds are expended. The Section 8 Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting.

Any investment income earned on these funds is reflected in the position account on which the investment income was earned. That is; investment income earned on HAP cash balances are credited to the HAP restricted net asset (position) account and investment income earned on administrative fee cash balances are credited to the unrestricted net asset (position) account.

The Authority adopted GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions."* ("GASB 68"). GASB 68 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, GASB 68 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, GASB 68 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.

E. 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, or the 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 GUDPA.

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

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and cash equivalents (continued)

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

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

F. Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, accounts 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.

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

G. Prepaid Expenses

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

H. Capital Assets, net

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

•	Buildings	40 Years
•	Leasehold Improvements	15 Years
•	Office Furniture	10 Years
•	Equipment and Vehicles	5 Years
•	Computers	3 Years

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

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Prepaid Tenant Rents

The Authority's prepaid tenant rents primarily consists of the rental income received from residents applicable to future periods.

J. Compensated Absences

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued at the balance sheet date for which payment is probable. Compensated absences represent amounts to which employees are entitled based on accumulated leave earned in accordance with the Authority's Personnel Policy. Unused sick leave may be carried to future periods and used in the event of extended illness. Upon normal retirement employees hired prior to July 21, 1998 shall be reimbursed at the current rate of 100% of accumulated sick leave. Employees hired after July 21, 1998 shall be reimbursed for 50% of accumulated sick leave up to a maximum of \$15,000. Generally, employees may be compensated for unused vacation in the event of retirement or termination of service.

K. Inter-program Receivables and Payables

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

L. Operating Revenues and Expenses

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

M. Taxes

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

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Use of Management Estimates

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

O. Equity Classifications

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

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

Restricted net position - Consists of net position 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 position that do not meet the definition of "restricted" or "net investment in capital assets."

P. Economic Dependency

The Section 8 and Low Rent Housing programs of the Authority are economically dependent on operating grants and subsidies from HUD. The programs operate at a loss prior to receiving the grants.

Q. Budgets

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its programs receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods.

The Authority also adopts an annual operating and capital budget which it submits to the State of New Jersey, Department of Community Affairs as required by New Jersey State law.

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 2. CASH AND CASH EQUIVALENTS

At December 31, 2016, the Authority had funds on deposit in checking and money market accounts. The carrying amount of the Authority's cash was \$1,859,442 and the bank balance was \$2,013,342.

Of the bank balances, \$258,701 was covered by federal depository insurance and the remaining \$1,754,641 was collateralized with the pledging financial institution as of December 31, 2016.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2016, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following at December 31, 2016:

<u>Description</u>	<u>Amount</u>
Accounts receivable - HUD	\$ 110,983
Accounts receivable - tenants	24,451
Accounts receivable - miscellaneous	<u>44,713</u>
Total accounts receivable, net	\$ <u>180,147</u>

Accounts receivable - HUD

Accounts receivable - HUD represents amounts due from the United States Department of Housing and Urban Development as part of the Authority's Capital Fund Program. The Authority considers these amounts fully collectible and accordingly, has made no allowance for doubtful accounts.

Accounts receivable - tenants

Accounts receivable - tenants, net are shown net of an allowance for doubtful accounts of \$24,452 as of December 31, 2016.

Accounts receivable - miscellaneous

Accounts receivable - miscellaneous consists of management fees due from the South Amboy Housing Authority for providing recurring management services. The Authority considers these amounts fully collectible and accordingly, has made no allowance for doubtful accounts.

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 4. RESTRICTED CASH

Restricted cash consists of the following at December 31, 2016:

<u>Cash Category</u>	<u>Amount</u>
Housing assistance payments	\$ 61,971
FSS escrows	7,251
Tenant security deposits	<u>75,303</u>
	<u>\$ 144,525</u>

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

FSS escrows consist of amounts held in escrow for participants in the Authority's Family Self Sufficiency Program.

Tenant security deposits represent amounts held by the Authority on behalf of tenants participating in the Public and Indian Housing Program. Upon termination from the program, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

NOTE 5. CAPITAL ASSETS, NET

A summary of the changes in capital assets during the year ended December 31, 2016 was as follows:

Description	December 31, 2015	Additions	Dispositions	Transfers	December 31, 2016
<u>Non-depreciable capital assets:</u>					
Land	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Construction in progress	<u>104,095</u>	<u>22,976</u>	<u>-</u>	<u>(83,019)</u>	<u>44,052</u>
Total	<u>204,095</u>	<u>22,976</u>	<u>-</u>	<u>(83,019)</u>	<u>144,052</u>
<u>Depreciable capital assets:</u>					
Buildings and improvements	11,136,581	-	-	35,839	11,172,420
Furniture and equipment	<u>212,541</u>	<u>-</u>	<u>-</u>	<u>47,180</u>	<u>259,721</u>
Total	<u>11,349,122</u>	<u>-</u>	<u>-</u>	<u>83,019</u>	<u>11,432,141</u>
Less: accumulated depreciation	<u>7,804,393</u>	<u>72,559</u>	<u>-</u>	<u>-</u>	<u>7,876,952</u>
Net capital assets	<u>\$ 3,748,824</u>	<u>\$ (49,583)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,699,241</u>

Depreciation expense for the year ended December 31, 2016 amounted to \$72,559.

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 6. PAYMENTS IN LIEU OF TAXES

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA owned program in accordance with the provisions of its Cooperation Agreement with the 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. During the fiscal year ended December 31, 2016, PILOT expense amounted to \$29,320.

NOTE 7. COMPENSATED ABSENCES

Accrued compensated absences of \$185,704 as of December 31, 2016, represents the amount of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy.

NOTE 8. NON-CURRENT LIABILITIES

During 2004, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, 2004 Series A on December 23, 2004. The Authority's share of funds from the bond issue pool amounted to \$2,050,000. The funds received from the leveraging pool are restricted and must be spent in accordance with the Authority's Capital Fund budget within four years.

Repayment of the funds leveraged shall be budgeted from Capital Fund allocations received by the Authority from the Department of Housing and Urban Development. Interest accrues at 4.12% and is payable semi-annually on May 1st and November 1st.

Annual debt service for principal and interest over the next five years and in five year increments are as follows:

Year	Principal	Interest	Total
2017	\$ 105,000	\$ 50,725	\$ 155,725
2018	110,000	46,016	156,016
2019	110,000	41,209	151,209
2020	120,000	36,190	156,190
2021	125,000	30,550	155,550
2022-2025	<u>555,000</u>	<u>60,398</u>	<u>615,398</u>
	<u>\$ 1,125,000</u>	<u>\$ 265,088</u>	<u>\$ 1,390,088</u>

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 8. NON-CURRENT LIABILITIES (continued)

Debt service activity for the year ended December 31, 2016 consisted of the following:

Description	December 31, 2015	Additions	Deductions	December 31, 2016	Due in One Year
Capital fund revenue bonds	\$ 1,225,000	\$ -	\$(100,000)	\$ 1,125,000	\$ 105,000
Accrued compensated abs	166,997	120,373	(101,666)	185,704	18,569
Accrued pension liability	<u>3,005,184</u>	<u>369,667</u>	<u>(127,405)</u>	<u>4,247,446</u>	<u>-</u>
Non-current liabilities	<u>\$ 4,397,181</u>	<u>\$ 490,040</u>	<u>\$(329,071)</u>	<u>\$ 5,558,150</u>	<u>\$ 123,569</u>

NOTE 9. PENSION PLAN

A. Plan Description

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

B. Benefits

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

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 one and two before reaching age 60, tiers 3 and 4 before age 62 with 25 years or more of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month a member retires prior to the age at which a member can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 9. PENSION PLAN (continued)

C. Contributions

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

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

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

At December 31, 2016, the Authority reported a liability of \$4,247,446 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended December 31, 2016, the Authority recognized pension expense of \$313,154. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 879,844	\$ -
Changes in Proportion	235,531	(144,249)
Differences between projected and actual experience	78,990	-
Net differences between actual and projected earnings on pension plan investments	161,959	-
Differences between contribution and amount paid - amortization	<u>6,036</u>	<u>(14,899)</u>
Total	<u>\$ 1,362,360</u>	<u>\$ (159,148)</u>

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 9. PENSION PLAN (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

Year ending December 31:	<u>Amount</u>
2017	\$ 268,166
2018	268,166
2019	308,724
2020	259,689
2021	<u>98,467</u>
	<u>\$ 1,203,212</u>

E. Actuarial Assumptions

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

Inflation Rate	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%

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

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

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 9. PENSION PLAN (continued)

F. Long-term expected rate of return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Markets	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 (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

G. Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on the 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 the plan members will be made based on the contribution rate in the most recent fiscal year. The state employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 9. PENSION PLAN (continued)

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

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

	1% Decrease (2.98%)	Discount Rate (3.98%)	1% Increase (4.98%)
Authority's proportionate share of the net pension liability	\$ <u>5,204,750</u>	\$ <u>4,247,446</u>	\$ <u>3,457,109</u>

NOTE 10. OTHER POST-RETIREMENT BENEFITS

The Authority participates in 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 Treasury, Division of Pension and Benefits.

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

A retiree may also receive Authority-paid health benefits in accordance with the Authority's personnel policy if they are sixty-two (62) years of age and have fifteen (15) or more years of service with the Authority.

A. Contribution Requirements – SHBP

Contributions to pay for the health premiums of participating employees in the SHBP – Local are collected from the State of New Jersey, participating local employers, active members, and retired members. Local employer payments and active and retired member contributions are generally received on a monthly basis.

Local group employees are not affected by the premium sharing provisions of Chapter 8, P.L. 1996. Chapter 2, P.L. 2010, effective May 21, 2010, requires a minimum contribution of 1.5% of base salary toward the cost of health care benefits coverage by all active public employees. Employees of the State, local governments, and boards of education who become a member of a State or locally-administered retirement system on or after the law's effective date would be required to pay in retirement 1.5% of their pension benefit toward the cost of health care coverage under the SHBP.

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 10. OTHER POST-RETIREMENT BENEFITS (continued)

Chapter 78, P.L. 2011, effective June 28, 2011, established new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase-in does not apply and contributions based on the full percentage rate of contribution are required. Under Chapter 78, certain future retirees eligible for employer-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

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

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

<u>Year</u>	<u>Amount</u>
2016	\$ <u>27,340</u>
2015	\$ <u>42,887</u>
2014	\$ <u>43,249</u>

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 December 31, 2016, the Authority estimates that no material liabilities will result from such audits.

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016

NOTE 12. ECONOMIC DEPENDENCY

The Section 8 - Housing Choice Vouchers and Public and Indian Housing programs are economically dependent on annual grants from HUD.

NOTE 13. RISK MANAGEMENT

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

NOTE 14. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through August 2, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



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

To the Board of Commissioners
Housing Authority of the Borough of Carteret:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Borough of Carteret (the "Authority") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated August 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogrudac & Company LLP

August 2, 2017
Toms River, New Jersey



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
NEW JERSEY OMB CIRCULAR 15-08**

To the Board of Commissioners
Housing Authority of the Borough of Carteret:

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the Borough of Carteret's (the "Authority") compliance with the types of compliance requirements described in the Uniform Guidance that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control over compliance.

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

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

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

August 2, 2017
Toms River, New Jersey

Novogradac & Company LLP

**HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor/Program Title	Federal CFDA Number	State Pass- through Number	Grant Period		Grant Award	Fiscal Year Expenditures	Cumulative - Expenditures
			From	To			
U.S. Department of Housing and Urban Dev.							
Public and Indian Housing Program:							
NJ047-00000116D	14.850	N/A	1/1/16	12/31/16	\$ 604,959	\$ 604,959	\$ 550,981
NJ047-00000216D	14.850	N/A	1/1/16	12/31/16	<u>437,807</u>	<u>437,807</u>	<u>398,743</u>
Grant Subtotal					<u>1,042,766</u>	<u>1,042,766</u>	<u>949,724</u>
Section 8 Housing Choice Voucher Program:							
NJ047-2FPH-2016	14.871	N/A	1/1/16	12/31/16	<u>5,902,769</u>	<u>6,298,398</u>	<u>6,298,398</u>
Public Housing Capital Fund Program:							
NJ39P047501-14	14.872	N/A	5/13/14	5/12/16	360,418	38,455	353,606
NJ39P047501-15	14.872	N/A	4/13/15	4/12/17	<u>329,107</u>	<u>239,698</u>	<u>239,698</u>
Grant Subtotal					<u>689,525</u>	<u>278,153</u>	<u>593,304</u>
Totals					<u>\$ 7,635,060</u>	<u>\$ 7,619,317</u>	<u>\$ 7,841,426</u>

**HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Housing Authority of the Borough of Carteret under programs of the federal government for the year ended December 31, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Housing Authority of the Borough of Carteret, it is not intended to and does not present the financial position, changes in net position or cash flows of the Housing Authority of the Borough of Carteret.

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

HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4. STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

	<u>501-12</u>	<u>501-13</u>	<u>501-14</u>	<u>501-15</u>	<u>Totals</u>
Budget	\$ <u>358,983</u>	\$ <u>346,191</u>	\$ <u>360,418</u>	\$ <u>329,107</u>	\$ <u>1,394,699</u>
<u>Advances:</u>					
Cumulative through 12/31/2015	\$ 358,983	\$ 346,191	\$ 263,009	\$ -	\$ 968,183
Current year	-	-	86,447	225,907	312,354
Cumulative through 12/31/2016	<u>358,983</u>	<u>346,191</u>	<u>349,456</u>	<u>225,907</u>	<u>1,280,537</u>
<u>Costs:</u>					
Cumulative through 12/31/2015	358,983	346,191	315,151	-	1,020,325
Current year	-	-	38,455	239,698	278,153
Cumulative through 12/31/2016	<u>358,983</u>	<u>346,191</u>	<u>353,606</u>	<u>239,698</u>	<u>1,298,478</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(4,150)</u>	\$ <u>(13,791)</u>	\$ <u>(17,941)</u>

- 1) The total amount of Capital Fund Program Costs and Advances incurred and earned by the Housing Authority of the Borough of Carteret as of December 31, 2016 are provided herein.
- 2) Capital Fund Grant No. 501-12 and 501-13 with approved funding of \$358,983 and \$346,191 have been fully drawn down and expended as per Capital Fund Grant Regulations.

**HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2016**

I. Summary of Auditors' Results

Financial Statement Section

- | | | |
|----|---|------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting | |
| a. | Material Weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | No |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards Section

- | | | |
|----|---|------------|
| 1. | Internal Control over compliance: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | No |
| 2. | Type of auditors' report on compliance
for major programs: | Unmodified |
| 3. | Any audit findings disclosed that are required
to be reported in accordance with 2 CFR 200.516(a)? | No |
| 4. | Identification of major programs: | |

CFDA Number

Name of Federal Program

14.871

Section 8 Housing Choice Vouchers

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

**HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
DECEMBER 31, 2016**

II. Financial Statement Findings

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

III. Federal Award Findings and Questioned Costs

None.

IV. Summary of Prior Audit Findings

There were no findings or questioned costs in prior year.

**HOUSING AUTHORITY OF THE BOROUGH OF CARTERET
REQUIRED PENSION INFORMATION
DECEMBER 31, 2016**

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

	December 31, <u>2014</u>	December 31, <u>2015</u>	December 31, <u>2016</u>
Contractually required contribution	\$ 119,862	\$ 115,095	\$ 127,405
Contributions in relation to the contractually required contribution	<u>108,053</u>	<u>124,375</u>	<u>119,636</u>
(Over) / under funded	\$ <u>11,809</u>	\$ <u>(9,280)</u>	\$ <u>7,769</u>
Authority's covered-employee payroll	\$ <u>1,018,550</u>	\$ <u>1,048,004</u>	\$ <u>1,048,004</u>
Contributions as a percentage of covered- employee payroll	<u>10.61 %</u>	<u>11.87 %</u>	<u>11.42 %</u>

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

	December 31, <u>2014</u>	December 31, <u>2015</u>	December 31, <u>2016</u>
Authority's proportion of the net pension liability	<u>0.0145 %</u>	<u>0.0134 %</u>	<u>0.0143 %</u>
Authority's proportionate share of the net pension liability	\$ <u>2,722,202</u>	\$ <u>3,005,184</u>	\$ <u>4,247,446</u>
Authority's covered-employee payroll	\$ <u>1,018,550</u>	\$ <u>1,048,004</u>	\$ <u>1,084,206</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	<u>267.26 %</u>	<u>286.75 %</u>	<u>391.76 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>52.08 %</u>	<u>47.93 %</u>	<u>40.14 %</u>

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

Carteret Housing Authority									
NJ047									
Financial Data Schedule (FDS)									
December 31, 2016									
Line Item #	Account Description	Projects	Amp 1	Amp2	Housing Choice Vouchers	COCC	Elimination	TOTAL	
ASSETS:									
CURRENT ASSETS:									
Cash:									
111	Cash - unrestricted	\$ 967,421	\$ 604,169	\$ 363,252	\$ 734,716	\$ 12,780	\$ -	\$ -	\$ 1,714,917
112	Cash - restricted - modernization and development	-	-	-	-	-	-	-	-
113	Cash - other restricted	-	-	-	69,222	-	-	-	69,222
114	Cash - tenant security deposits	75,303.00	35,941	39,362	-	-	-	-	75,303
115	Cash - restricted for payment of current liabilities	-	-	-	-	-	-	-	-
100	Total cash	1,042,724	640,110	402,614	803,938	12,780	-	-	1,859,442
Accounts and notes receivables:									
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-
122	Accounts receivable - HUD other projects	93,042	55,978	39,064	-	17,941	-	-	110,983
124	Accounts receivable - other government	-	-	-	-	-	-	-	-
125	Accounts receivable - miscellaneous	-	-	-	-	44,713	-	-	44,713
126	Accounts receivable- tenants	25,614	24,375	1,239	-	-	-	-	25,614
126.1	Allowance for doubtful accounts - tenants	(12,807)	(12,188)	(619)	-	-	-	-	(12,807)
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-
127	Notes and mortgages receivable- current	-	-	-	-	-	-	-	-
128	Fraud recovery	23,289	17,856	5,433	-	-	-	-	23,289
128.1	Allowance for doubtful accounts - fraud	(11,645)	(8,928)	(2,717)	-	-	-	-	(11,645)
129	Accrued interest receivable	-	-	-	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	117,493	75,093	42,400	-	62,654	-	-	180,147
Current investments									
131	Investments - unrestricted	-	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	24,418	-	24,418	-	44,463	-	-	68,881
143	Inventories	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-	-	-	-
145	Assets held for sale	-	-	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	1,184,635	715,203	469,432	803,938	119,897	-	-	2,108,470
NONCURRENT ASSETS:									
Fixed assets:									
161	Land	115,000	59,000	56,000	-	-	-	-	115,000
162	Buildings	10,659,315	5,161,477	5,497,838	-	-	-	-	10,659,315
163	Furniture, equipment & machinery - dwellings	-	-	-	-	-	-	-	-
164	Furniture, equipment & machinery - administration	-	-	-	-	244,721	-	-	244,721
165	Leasehold improvements	513,105	216,013	297,092	-	-	-	-	513,105
166	Accumulated depreciation	(7,706,373)	(3,819,716)	(3,886,657)	-	(170,579)	-	-	(7,876,952)
167	Construction in Progress	44,052	19,383	24,669	-	-	-	-	44,052
168	Infrastructure	-	-	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	3,625,099	1,636,157	1,988,942	-	74,142	-	-	3,699,241
Other non-current assets:									
171	Notes and mortgages receivable - non-current	-	-	-	-	-	-	-	-
172	Notes and mortgages receivable-non-current - past due	-	-	-	-	-	-	-	-
174	Other assets	-	-	-	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	3,625,099	1,636,157	1,988,942	-	74,142	-	-	3,699,241
200	DEFERRED OUTFLOWS OF RESOURCES	734,041	316,917	417,124	234,124	394,195	-	-	1,362,360
290	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,543,775	\$ 2,668,277	\$ 2,875,498	\$ 1,038,062	\$ 588,234	\$ -	\$ -	\$ 7,170,071

Carteret Housing Authority									
NJ047									
Financial Data Schedule (FDS)									
December 31, 2016									
Line Item #	Account Description	Projects	Amp 1	Amp2	Housing Choice Vouchers	COCC	Elimination	TOTAL	
LIABILITIES AND EQUITY:									
Liabilities:									
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable ≤ 90 days	19,735	8,163	11,570	-	4,064	-	23,799	-
313	Accounts payable > 90 days past due	-	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	-	-	-	-	-	-	-	-
322	Accrued compensated absences - current portion	6,861	3,919	2,942	2,607	25,483	-	25,483	-
324	Accrued contingency liability	-	-	-	-	9,101	-	18,569	-
325	Accrued interest payable	8,636	3,627	5,009	-	-	-	8,636	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	-	-
332	Accounts payable - PHA projects	-	-	-	-	-	-	-	-
333	Accounts payable - other government	29,320	11,514	17,806	-	-	-	29,320	-
341	Tenant security deposits	75,303	35,941	39,362	-	-	-	75,303	-
342	Deferred revenue	10,757	5,424	60,900	507,204	-	-	517,961	-
343	Current portion of L-T debt - capital projects	105,000	44,100	-	-	-	-	105,000	-
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-	-	-	-
346	Accrued liabilities - other	35,166	14,126	21,040	-	1,545	-	36,711	-
347	Interprogram - due to	-	-	-	-	-	-	-	-
310	TOTAL CURRENT LIABILITIES	290,778	126,816	163,962	509,811	40,193	-	840,782	-
NONCURRENT LIABILITIES:									
351	Long-term debt, net of current - capital projects	1,020,000	438,400	591,600	-	-	-	1,020,000	-
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-
353	Non-current liabilities- other	-	-	-	-	-	-	-	-
354	Accrued compensated absences - noncurrent	61,758	35,275	26,483	23,467	81,910	-	167,135	-
355	Loan Liability - Non Current	-	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-
357	Accrued pension and OPEB liabilities	2,168,427	964,977	1,203,450	824,686	1,254,333	-	4,247,446	-
350	TOTAL NONCURRENT LIABILITIES	3,250,185	1,428,652	1,831,533	848,153	1,336,243	-	5,434,581	-
300	TOTAL LIABILITIES	3,540,963	1,555,468	1,965,495	1,357,964	1,376,436	-	6,275,363	-
400	Deferred Inflows	71,272	34,240	37,032	38,772	49,104	-	159,148	-
EQUITY:									
508.1	Invested in Capital Assets, Net of Related Debt	2,315,343	978,901	1,336,442	-	74,142	-	2,389,485	-
511.1	Restricted Net Assets	-	-	-	61,971	-	-	61,971	-
512.1	Unrestricted Net Assets	(383,803)	99,668	(483,471)	(420,645)	(911,448)	-	(1,715,896)	-
513	TOTAL EQUITY	1,931,540	1,078,569	852,971	(358,674)	(837,306)	-	735,560	-
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	\$ 5,543,775	\$ 2,668,277	\$ 2,875,498	\$ 1,038,062	\$ 388,234	\$ -	\$ 7,170,071	\$ -
Proof of concept									

Carteret Housing Authority												
NJ047												
Financial Data Schedule (FDS)												
December 31, 2016												
Line Item #	Account Description	Project Total	Capital Fund	Amp 1 Low Rent	Amp 1 Cap	Amp 2 Low Rent	Amp 2 Cap	Housing Choice Vouchers	COCC	Elimination	TOTAL	
REVENUE:												
70300	Net tenant rental revenue	\$ 974,222	\$ -	\$ 438,944	-	\$ -	\$ -	-	\$ -	-	\$ 974,222	
70400	Tenant revenue - other	55,765	-	35,714	-	20,051	-	-	-	-	55,765	
70500	Total tenant revenue	1,029,987	-	474,658	-	558,329	-	-	-	-	1,029,987	
70600	HUD PHA grants	1,042,766	72,596	604,359	33,588	437,807	39,008	5,902,769	82,581	-	7,100,712	
70610	Capital grants	-	122,976	-	32,110	-	70,866	-	-	-	122,976	
70710	Management Fee	-	-	-	-	-	-	-	257,456	(357,456)	-	
70720	Asset Management Fee	-	-	-	-	-	-	-	13,210	(13,210)	-	
70730	Book Keeping Fee	-	-	-	-	-	-	-	59,873	(59,873)	-	
70750	Other Fees	-	-	-	-	-	-	-	-	-	-	
70800	Other government grants	-	-	-	-	-	-	-	-	-	-	
71100	Investment income - unrestricted	-	-	-	-	-	-	2,337	3,840	-	6,480	
71200	Mortgage interest income	283	-	283	-	-	-	-	-	-	-	
71301	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-	-	-	
71400	Fraud recovery	-	-	-	-	-	-	24,341	-	-	24,341	
71500	Other revenue	34,504	-	4,824	-	29,680	-	377,352	128,140	-	359,996	
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-	-	-	-	-	
72000	Investment income - restricted	-	-	-	-	-	-	-	-	-	-	
70000	TOTAL REVENUE	2,107,540	195,572	1,084,724	85,698	1,072,816	109,874	6,306,819	545,100	(330,539)	8,824,492	
EXPENSES:												
Administrative												
91100	Administrative salaries	274,101	-	119,364	-	154,737	-	159,657	258,206	-	691,964	
91200	Auditing fees	9,360	-	3,951	-	5,409	-	2,000	-	-	11,360	
91300	Management fees	197,432	-	87,490	-	109,942	-	60,024	-	(257,456)	-	
91310	Book-keeping fee	22,358	-	9,908	-	12,450	-	37,515	-	(59,873)	-	
91400	Advertising and marketing	-	-	-	-	-	-	-	-	-	-	
91500	Employee benefit contributions- administrative	320,751	-	136,670	-	184,081	-	125,448	216,734	-	662,929	
91600	Office expenses	22,125	-	10,488	-	11,637	-	10,388	50,700	-	83,213	
91700	Legal expenses	15,304	-	11,104	-	4,200	-	7,000	2,863	-	25,167	
91800	Travel	-	-	-	-	-	-	-	38,393	-	38,393	
91810	Allocated overhead	-	-	-	-	-	-	-	-	-	-	
91900	Other	-	2,839	-	1,370	-	1,469	57,730	49,900	-	110,469	
92000	Asset Management Fee	13,210	-	13,210	-	-	-	-	-	(13,210)	-	
Tenant services												
92100	Tenant services - salaries	-	-	-	-	-	-	-	-	-	-	
92200	Relocation costs	-	-	-	-	-	-	-	-	-	-	
92300	Employee benefit contributions- tenant service	-	-	-	-	-	-	-	-	-	-	
92400	Tenant services - other	-	-	-	-	-	-	-	-	-	-	

Carteret Housing Authority											
NJ047											
Financial Data Schedule (FDS)											
December 31, 2016											
Line Item #	Account Description	Project Total	Capital Fund	Amp 1 Low Rent	Amp 1 Cap	Amp 2 Low Rent	Amp 2 Cap	Housing Choice Vouchers	COCC	Elimination	TOTAL
	Utilities										
93100	Water	107,790	-	73,464		34,326			404	-	108,194
93200	Electricity	288,671	-	111,862		176,809			9,532	-	298,203
93300	Gas	98,007	-	66,424		31,583			3,836	-	101,843
93400	Fuel	-	-	-		-			-	-	-
93500	Labor	97,184	-	42,242		54,942			-	-	97,184
93600	Sewer	81,697	-	33,171		48,526			1,635	-	83,332
93700	Employee benefit contributions- utility	52,934	-	23,050		29,884			-	-	52,934
93800	Other utilities expense	-	-	-		-			-	-	-
	Ordinary maintenance & operator										
94100	Ordinary maintenance and operations - labor	246,686	-	97,100		149,586			48,572	-	295,058
94200	Ordinary maintenance and operations - materials & other	59,891	9,964	29,897	4,383	29,994	5,581		889	-	70,744
94300	Ordinary maintenance and operations - contract cost	33,536	3,000	16,251	5,000	17,285			3,143	-	41,679
94500	Employee benefit contributions- ordinary maintenance	135,644	-	59,067		76,577			24,416	-	160,060
	Protective services										
95100	Protective services - labor	-	-	-	-	-	-	-	-	-	-
95200	Protective services- other contract cost	-	-	-	-	-	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-	-	-	-	-	-
95500	Employee benefit contributions- protective service	-	-	-	-	-	-	-	-	-	-
	General expenses										
96100	Property Insurance	-	-	-	-	-	-	-	-	-	-
96120	Liability Insurance	-	-	-	-	-	-	-	-	-	-
96130	Workers' Compensation	-	-	-	-	-	-	-	-	-	-
96140	All Other Insurance	126,549	-	48,002		78,547		11,400	9,901	-	147,850
96200	Other general expenses	-	-	-	-	-	-	52,240	-	-	52,240
96210	Compensated absences	3,616	-	2,223		1,393		7,295	7,796	-	18,707
96300	Payments in lieu of taxes	29,320	-	11,514		17,806				-	29,320
96400	Bad debt - tenant rents	9,615	-	9,335		280				-	9,615
96500	Bad debt- mortgages	-	-	-	-	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-	-	-	-	-
96700	Interest expense	-	-	-	-	-	-	-	-	-	-
96710	Interest of Mortgage (or bonds) payable	31,535	22,835	-	22,835	31,535				-	54,370
96730	Amortization of Bond Issue Cost	-	-	-	-	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-	-	-	-	-
96900	TOTAL OPERATING EXPENSES	2,277,316	40,638	1,015,767	33,588	1,261,549	7,050	530,693	726,720	(330,539)	3,244,828
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(169,776)	154,934	68,957	52,110	(238,733)	102,824	5,776,126	(181,620)	-	5,579,664

Carteret Housing Authority												
NJ047												
Financial Data Schedule (FDS)												
December 31, 2016												
Line Item #	Account Description	Project Total	Capital Fund	Amp 1 Low Rent	Amp 1 Cap	Amp 2 Low Rent	Amp 2 Cap	Housing Choice Vouchers	COCC	Elimination	TOTAL	
97100	Extraordinary maintenance	-	-	-	-	-	-	-	-	-	-	
97200	Casualty losses - non capitalize	-	-	-	-	-	-	-	-	-	-	
97300	Housing assistance payments	-	-	-	-	-	-	5,410,383	-	-	5,410,383	
97350	HAP Portability - ir	-	-	-	-	-	-	357,322	-	-	357,322	
97400	Depreciation expense	48,210	-	24,345	-	23,865	-	-	24,349	-	72,559	
97500	Fraud losses	-	-	-	-	-	-	-	-	-	-	
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-	-	-	
99000	TOTAL EXPENSES	2,325,526	40,838	1,040,112	33,588	1,285,414	7,050	6,298,398	751,069	(330,539)	9,085,092	
OTHER FINANCING SOURCES (USES)												
10010	Operating transfers in	155,100	-	65,142	-	89,958	-	-	32,910	(188,010)	-	
10020	Operating transfers out	-	(155,100)	-	(65,142)	-	(89,958)	-	(32,910)	188,010	-	
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 program and project out	-	-	-	-	-	-	-	-	-	-	
10100	TOTAL OTHER FINANCING SOURCES (USES)	155,100	(155,100)	65,142	(65,142)	89,958	(89,958)	-	-	-	-	
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(62,886)	(166)	109,754	(13,032)	(172,640)	12,866	8,421	(205,969)	-	(260,600)	
MEMO ACCOUNT INFORMATION:												
11020	Required annual debt principal payments	-	100,000	-	42,000	-	58,000	-	-	-	100,000	
11030	Beginning equity	1,994,592	-	981,847	-	1,012,745	-	(367,095)	(631,337)	-	906,160	
11040	Prior period adjustments and equity transfers	-	-	-	-	-	-	-	-	-	-	
11170	Administrative fee equity	-	-	-	-	-	-	(420,645)	-	-	(420,645)	
11180	Housing assistance payments equity	-	-	-	-	-	-	61,971	-	-	61,971	
11190	Unit months available	3,024	-	1,344	-	1,680	-	5,568	-	-	8,592	
11210	Number of unit months leased	2,981	-	1,321	-	1,660	-	5,002	-	-	7,983	
Equity Roll Forward Test:												
Calculation from R/E Statement		\$ 1,931,540	\$ -	\$ 1,078,569	\$ -	\$ 852,971	\$ -	\$ (358,674)	\$ (837,306)	\$ -	\$ 735,560	
B/S Line 513		\$ 1,931,540	\$ -	\$ 1,078,569	\$ -	\$ 852,971	\$ -	\$ (358,674)	\$ (837,306)	\$ -	\$ 735,560	
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	