

**HOUSING AUTHORITY OF THE
BOROUGH OF FREEHOLD**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

WITH AUDITOR'S REPORT

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THE POWER OF SOUND FUNDAMENTALS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the
Borough of Freehold
Freehold, New Jersey

We have audited the accompanying financial statements of the Housing Authority of the Borough of Freehold, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Borough of Freehold's 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Freehold as of December 31, 2016 and 2015, and the results of its operations, changes in net position and cash flows of its proprietary fund types for the years then ended in conformity 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 on pages 4 to 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the 2016 and 2015 financial statements that collectively comprise the Housing Authority of the Borough of Freehold's financial statements. The financial data schedule and cost certifications on pages 26 to 29 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with the "Governmental Auditing Standards", we have also issued our report dated September 7, 2017, on our consideration of the Authority's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Housing Authority of the Borough of Freehold's internal control over financial reporting and compliance.

Lawson, Rescinio, Schibell & Assoc., P.C.

Lawson, Rescinio, Schibell & Assoc., P.C.

Oakhurst, New Jersey
September 7, 2017

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

As Management of 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. For the fiscal year ended December 31, 2016, the assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows by \$1,014,271. This compares to the previous year when assets and deferred outflows exceeded liabilities and deferred inflows by \$1,154,886.
2. For the fiscal year December 31, 2016 the Authority reported ending unrestricted net assets of \$39,406. This compares to the previous year when ending unrestricted net assets was of \$39,433.
3. The Authority had total revenues of \$752,741 and total expenses of \$818,610 for the year ended December 31, 2016.
4. The Authority's capital outlays for the fiscal year were \$61,215
5. The Authority's expenditures of federal awards amounted to \$190,684 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 financial statements. The Authority's financial statements and notes to the financial statements included in this report were prepared in accordance with GAAP applicable to the Governmental entities for Proprietary Fund types.

2. 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 the Statement of Net Position, the Statement of Activities, and the Statement of Cash Flows.

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

The Statement of Activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in the net assets are included, regardless of when cash is received or paid.

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 8 through 10 included in this report.

3. Notes to Financial Statements

The accompanying notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements begin on page 11 of this report.

C – The Authority as a Whole

The Authority's net assets increased during the fiscal year as detailed below. The Authority's current and other assets increased and capital acquisition costs increased during 2016. The Authority's revenues include subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-authorized funding level. The Authority's operating revenues were insufficient to cover all operating expenses during the fiscal year.

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

The following table provides a summary of the Authority's net assets:

	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 588,218	\$ 486,066
Capital Assets	<u>1,199,419</u>	<u>1,355,368</u>
Total Assets	<u>1,787,637</u>	<u>1,841,434</u>
Deferred Outflows	<u>158,530</u>	<u>81,147</u>
Long-term Liabilities	706,566	600,319
Other Liabilities	<u>225,330</u>	<u>161,725</u>
Total Liabilities	<u>931,896</u>	<u>762,044</u>
Deferred Inflows	<u>-</u>	<u>5,651</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	974,757	1,115,368
Restricted	108	85
Unrestricted	<u>39,406</u>	<u>39,433</u>
Total Net Position	<u>\$ 1,014,271</u>	<u>\$ 1,154,886</u>

The following table provides a summary of the Authority's changes in net assets:

	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>
Revenues:				
Tenant Revenue	\$ 550,709	73.16	\$ 554,291	67.71
Government Operating Grants	170,684	14.40	173,404	21.19
Other Revenue	11,012	1.46	12,234	1.49
Investment Income	336	-	368	0.04
Capital Grants	20,000	10.98	78,313	9.57
Total Revenues	<u>752,741</u>	<u>100.00</u>	<u>818,610</u>	<u>100.00</u>
Expenses:				
General Operating Expenses	660,972	73.99	629,858	83.07
Investment Expense	10,801	1.21	11,676	1.54
Depreciation	111,785	12.51	109,698	14.47
Extraordinary Expense	109,798	12.29	7,017	0.93
Total Expenses	<u>893,356</u>	<u>100.00</u>	<u>758,249</u>	<u>100.00</u>
(Decrease) Increase in Net Position	(140,615)		60,361	
Beginning Net Position	<u>1,154,886</u>		<u>1,094,525</u>	
Ending Net Position	<u>\$ 1,014,271</u>		<u>\$ 1,154,886</u>	

Effective for the year ended December 31, 2015, the Authority implemented new accounting guidance GASB Statement No. 68. As a result, the financial statements reflect the Authority's proportionate share of the Public Employees Retirement Systems' net pension liability and related deferred outflows of resources and deferred inflows of resources of this cost sharing multi-employer defined benefit pension plan sponsored and administrated by the State of New Jersey.

D – Budgetary Highlights

For the fiscal year ended December 31, 2016, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

E – Capital Assets and Debt Administration

1. Capital Assets

As of December 31, 2016, the Authority's investment in capital assets for its proprietary fund was \$1,199,419 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress.

Major capital assets purchases of \$61,215 during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs. The majority of these costs were related to building renovations. These activities are funded by grants from HUD.

The following table provides a summary of the Authority's capital assets:

	Cost of Capital Assets	Accumulated Depreciation	Net of Accumulated Depreciation
Non-Depreciable Assets:			
Land	\$ 145,000	\$ -	\$ 145,000
Depreciable Assets:			
Building and Improvements	4,149,175	3,169,976	979,199
Site Improvements	643,192	574,132	69,060
Furniture, Machinery and Equipment	<u>118,757</u>	<u>112,597</u>	<u>6,160</u>
	<u>\$ 5,056,124</u>	<u>\$ 3,856,705</u>	<u>\$ 1,199,419</u>

2. Long Term Debt

During 2004, the Authority participated in a Capital Fund Leveraging Pool. The New Jersey Housing and Finance Agency issued tax-exempt bonds and the proceeds were distributed among the participating Authorities. As of December 31, 2016, the amount of outstanding debt was \$220,000.

F – Significant Changes from Year Ended December 31, 2016 to December 31, 2015

Extraordinary maintenance increased as the Authority is now budgeting its complete capital fund for operations (account 1406) and charging extraordinary maintenance with work items that were previously charged to the capital fund program.

The Authority's unrestricted net assets of \$39,406 appear sufficient to cover any shortfall that may occur in 2017.

G – Economic Factors and Next Year's Budgets and Rates

HUD's reduction to the operating subsidy in recent years continues to cause the authority to reduce its contribution to reserves. Both Operating and Capital Fund subsidies may continue to be reduced in the future making it difficult to avoid using reserves to balance the budget.

H – 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 the Executive Director, Housing Authority of the Borough of Freehold, 107 Throckmorton St. Freehold, NJ 07728.

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and Cash Equivalents	\$ 531,204	\$ 386,811
Restricted Cash and Cash Equivalents	44,202	40,782
Tenant Accounts Receivable, Net	3,476	2,773
Other Accounts Receivable	9,102	55,462
Prepaid Expenses	234	238
Total Current Assets	<u>588,218</u>	<u>486,066</u>
Non-Current Assets		
Capital Assets		
Land and Construction in Progress	145,000	255,375
Other Capital Assets, Net of Accumulated Depreciation	1,054,419	1,099,993
Total Non-Current Assets	<u>1,199,419</u>	<u>1,355,368</u>
TOTAL ASSETS	<u>1,787,637</u>	<u>1,841,434</u>
DEFERRED OUTFLOW OF RESOURCES	<u>158,530</u>	<u>81,147</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>158,530</u>	<u>81,147</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 32,537	\$ 24,065
Accrued liabilities		
Compensated absences, current portion	16,142	14,897
Payment in lieu of taxes	53,912	27,099
Other	57,990	34,922
Tenant security deposits	44,094	40,696
Deferred revenue	655	46
Bonds payable, current portion	20,000	20,000
Total current liabilities	<u>225,330</u>	<u>161,725</u>
Non-current liabilities		
Compensated absences, non-current	34,098	28,846
Accrued Pension and OPEB Liabilities	472,468	351,473
Long term debt	200,000	220,000
Total non-current liabilities	<u>706,566</u>	<u>600,319</u>
TOTAL LIABILITIES	<u>931,896</u>	<u>762,044</u>
DEFERRED INFLOW OF RESOURCES	<u>-</u>	<u>5,651</u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>-</u>	<u>5,651</u>
NET POSITION		
Invested in capital assets, net of related debt	974,757	1,115,368
Restricted net assets:		
Capital	108	85
Unrestricted net assets:		
Undesignated	39,406	39,433
TOTAL NET POSITION	<u>\$ 1,014,271</u>	<u>\$ 1,154,886</u>

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Tenant revenue	\$ 550,709	\$ 554,291
Government operating grants	170,684	173,404
Other revenue	<u>11,012</u>	<u>12,234</u>
 Total operating revenues	 <u>732,405</u>	 <u>739,929</u>
 OPERATING EXPENSES		
Administrative	269,318	216,757
Tenant services	13,677	13,167
Utilities	166,038	166,763
Maintenance	178,226	168,559
General	33,713	64,612
Depreciation	<u>111,785</u>	<u>109,698</u>
 Total operating expenses	 <u>772,757</u>	 <u>739,556</u>
 Operating income (loss)	 (40,352)	 373
 NON-OPERATING REVENUES (EXPENSES)		
Extraordinary Maintenance	(109,798)	(7,017)
Investment income	336	368
Investment expense	<u>(10,801)</u>	<u>(11,676)</u>
 Income (loss) before contributions and transfers	 (160,615)	 (17,952)
 Capital grants	 <u>20,000</u>	 <u>78,313</u>
 Change in net assets	 (140,615)	 60,361
 Total net position, beginning	 <u>1,154,886</u>	 <u>1,094,525</u>
 TOTAL NET POSITION, ENDING	 <u><u>\$ 1,014,271</u></u>	 <u><u>\$ 1,154,886</u></u>

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tenants	\$ 554,013	\$ 556,400
Cash received from HUD	217,044	145,229
Cash payments to employees and suppliers for goods and services	(667,955)	(672,748)
Other operating revenues	11,012	12,234
Net cash provided by operating activities	<u>114,114</u>	<u>41,115</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants received	20,000	78,313
Repayment of loans	(20,000)	(20,000)
Purchase of fixed assets	44,164	(58,313)
Net cash provided by capital and related financing activities	<u>44,164</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	336	368
Investment expense	(10,801)	(11,676)
Net cash (used) in investing activities	<u>(10,465)</u>	<u>(11,308)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	147,813	29,807
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>427,593</u>	<u>397,786</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 575,406</u>	<u>\$ 427,593</u>
RECONCILIATION OF RESTRICTED AND UNRESTRICTED CASH		
Current cash and cash equivalents	\$ 531,204	\$ 386,811
Restricted cash and cash equivalents	44,202	40,782
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 575,406</u>	<u>\$ 427,593</u>
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED) IN PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss) income	\$ (40,352)	\$ 373
Adjustment to reconcile operating (loss) income to net cash (used) in provided by operating activities		
Depreciation and amortization	111,785	109,698
Changes in certain assets and liabilities		
Accounts receivable	45,657	(24,346)
Accounts payable	8,472	(59,009)
Accrued liabilities	(12,057)	16,839
Deferred revenues	609	(2,441)
Net cash provided by operating activities	<u>\$ 114,114</u>	<u>\$ 41,114</u>

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

NOTE A - Summary of Organization, Activities, and Significant Accounting Policies:

1. Organization - The Authority was created through a resolution of the Borough of Freehold. It was organized as a public housing authority as defined by State Statute (N.J.S.A 40A:12A-1, et seq., the "Housing Authority Act"). The Authority functions under the supervision of HUD and the New Jersey Department of Community Affairs – Division of Local Government Services (DCA). The Authority's Board of Commissioners is a seven-member board, with six members appointed locally and one member appointed by the DCA Commissioner.

The Authority has not identified any entities, which should be subject to evaluation for inclusion in the Authority's reporting entity. The Authority has concluded that it is excluded from the Borough's reporting entity since the Borough does not designate management, does not influence operations, does not have responsibility for fiscal matters and does not have a funding relationship with the Authority.

2. Activities - At December 31, 2016, the only programs or activities administered by the Authority were:

Program	Contract No.	Project No.	Units Authorized
Low-Income Housing: Management	NY-226	NJ 69-1 and 2	85

3. Significant Accounting Policies

- a. Basis of Accounting - The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types. Under the accrual basis of accounting, revenue is recognized when it is earned regardless of when received and expenditures are recognized when incurred regardless of when paid.
- b. Report Presentation - The basic financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities for proprietary fund types, using the economic resources measurement focus and the accrual basis of accounting. The Authority applies all relevant Governmental Accounting Standards Board (GASB) Pronouncements and has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments.

The enterprise fund, a proprietary fund type, is used for activities which are financed and operated in a manner similar to private business enterprises where the intent of the Authority is that the costs (expenses, including depreciation) of providing goods or services to its clients on a continuing basis be financed or recovered primarily through user charges or operating subsidies.

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

NOTE A - Summary of Organization, Activities, and Significant Accounting Policies (Continued):

4. Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards.

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Housing Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Housing Authority's pension contribution and its proportionate share of contributions, and the Housing Authority's pension contributions subsequent to the pension valuation measurement date.

5. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2015, the Housing Authority adopted GASB 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. As a result of adopting such Statements, the Housing Authority was required to measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions. The cumulative effect of adopting GASB Statements No. 68 and No. 71 totaled (\$279,525), and was recognized as a restatement of the Housing Authority's December 31, 2014 net position on the statement of activities.

NOTE A - Summary of Organization, Activities, and Significant Accounting Policies (Continued):

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in the years as shown below:

Statement No. 72, Fair Value Measurement, and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Statement became effective for the Housing Authority for the year ending December 31, 2016.

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general-purpose external financial reports of state and local governments for making decisions and assessing accountability. The Statement became effective for the Housing Authority for the year ending December 31, 2016.

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general-purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement will become effective for the Housing Authority for the year ending December 31, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the Housing Authority for the year ending December 31, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 76, the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement became effective for the Housing Authority for the year ending December 31, 2016.

NOTE A - Summary of Organization, Activities, and Significant Accounting Policies (Continued):

Statement No. 77, Tax Abatement Disclosures. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement will become effective for the Housing Authority for the year ending December 31, 2017. Management does not expect this Statement will have an impact on the notes to the financial statements.

Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Statement became effective for the Housing Authority for the year ending December 31, 2016.

Statement No. 79, Certain External Investment Pools, and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement became effective for the Housing Authority for the year ending December 31, 2016.

NOTE B - Cash and Cash Equivalents

The Authority considers all highly liquid investments, including restricted assets, with an original maturity of three months or less when purchased to be cash equivalents.

Deposits – New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), or any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The State of New Jersey Cash management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which may mature or are redeemed within one year. Twenty-five percent of the fund may be invested in eligible securities which mature within two years provided, however, the average maturity of all investments in the fund shall not exceed one year. Collateralization of fund investments is generally not required.

In addition, New Jersey statutes permit authorities to deposit funds in Government Money Market Funds purchased through state registered brokers/dealers and banks.

In accordance with the provisions of the Government Unit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

NOTE B - Cash and Cash Equivalents (Continued)

The State of New Jersey Cash management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which may mature or are redeemed within one year. Twenty-five percent of the fund may be invested in eligible securities which mature within two years provided, however, the average maturity of all investments in the fund shall not exceed one year. Collateralization of fund investments is generally not required.

Risk Category - All bank deposits, as of the balance sheets dates, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by Government Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1- Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2- Collateralized with securities held by the pledging public depository's trust department or agent in the Authority's name.

Category 3- Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Authority's name.

As of December 31, 2016, the Authority had funds on deposit in money market, savings and checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and are summarized as follows:

<u>Category</u>	<u>Amount</u>
1	\$ 422,857
2	-
3	<u>154,386</u>
	<u>\$ 577,243</u>

NOTE C – Investments

New Jersey statutes permit the purchase of the following types of securities:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes, and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.

NOTE C – Investments (Continued)

- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

NOTE D - Tenant Accounts Receivable

Tenant accounts receivable are stated net of an allowance of \$1,490 as of December 31, 2016.

NOTE E - Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operations and improve facilities of the Authority and are stated at cost.

Depreciation is computed using the straight-line method for financial reporting purposes.

Expenditures are capitalized when they meet the Capitalization Policy requirements, which include a threshold of \$5,000 and estimated useful lives as follows:

Buildings and Components	20 - 40 Years
Site Improvements	15 Years
Furniture and Equipment	5 - 10 Years
Computers	3 Years

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 145,000	\$ -	\$ -	\$ 145,000
Buildings and Improvements	4,096,096	53,079	-	4,149,175
Site Improvements	636,488	6,704	-	643,192
Furniture, Machinery and Equipment	117,326	1,432	-	118,758
Construction in Progress	105,380	-	105,380	-
	5,100,290	61,215	105,380	5,056,125
Accumulated Depreciation	(3,744,921)	(111,785)	-	(3,856,706)
Capital Assets, Net	\$ <u>1,355,369</u>	\$ <u>(50,570)</u>	\$ <u>105,380</u>	\$ <u>1,199,419</u>

NOTE F - Long Term Debt

During 2004, the Authority entered 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 the funds from the bond issue pool amounted to \$400,000.

Repayment of the funds leveraged shall be budgeted from Capital Fund Allocations received by the Authority from the Department of Housing and Urban Development.

The following is a schedule of required payments for the next five years and thereafter:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 20,000	\$ 9,926	\$ 29,926
2018	20,000	9,051	29,051
2019	20,000	8,176	28,176
2020	20,000	7,285	27,285
2021	20,000	6,345	26,345
2022 - 2025	<u>120,000</u>	<u>12,691</u>	<u>132,691</u>
	<u>\$ 220,000</u>	<u>\$ 53,474</u>	<u>\$ 273,474</u>

NOTE G - Compensated Absences

Employees are entitled to accumulated sick leave and vacation leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated leave in the event of retirement or termination from service. Sick leave may be compensated at the rate of 50% of the accumulated days, with a maximum of \$10,000. Vacation leave is payable at 100% of the accumulated days. The Authority has determined that the accrued liability for accumulated sick leave and vacation leave was \$50,240 and \$43,743 at December 31, 2016 and 2015, respectively.

NOTE H - 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 payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provisions of a Cooperation Agreement. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal years ended December 31, 2016 and 2015, the Borough of Freehold was entitled to PILOT of \$26,813 and \$27,099, respectively.

NOTE I - Risk Management

The Authority carries commercial insurance for all risks of loss, including general liability, property, worker's compensation, unemployment, and disability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage, except for deductibles.

NOTE J - Commitments

As of December 31, 2016, the Authority had no construction contracts payable.

NOTE K - Contingent or other liabilities

There are no liabilities, contingent or otherwise, which would not be covered by insurance protection.

NOTE L - Subsequent Events

The Authority has evaluated subsequent events occurring after the balance sheet date through September 7, 2017 which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that there are no subsequent events that require disclosure in the financial statements.

NOTE M - GASB Statement No. 54 Fund Balance Disclosure

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Authority classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Commissioners.

Unassigned - includes balance within the fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

NOTE N - Pension Plan

The Authority contributes to one pension plan on behalf of its employees.

1. 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). The Division issues a publicly available financial report that includes financial statements and required supplementary information. The report can be found at www.state.nj.us/treasury/pensions.

NOTE N - Pension Plan (Continued)

2. Vesting and Benefit Provisions

The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits where applicable, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier Definition -

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

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

3. Basis of Presentation

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

4. Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

NOTE N - Pension Plan (Continued)

The Authority's contractually required contribution rate for the year ended December 31, 2016 was 12.27% of the Authority's covered-employee payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability. Based on the most recent PERS measurement date of June 30, 2016, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2016 is \$14,172 and is payable by April 1, 2017. Based on the PERS measurement date of June 30, 2015, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2016 was \$13,461, which was paid on April 1, 2016. Employee contributions to the plan during the year ended December 31, 2016 were \$8,486.

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

At December 31, 2016, the Authority's proportionate share of the PERS net pension liability was \$472,468. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated with updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the Authority's proportion was .0015952530% which was an increase of .0000295322% from its proportion measured as of June 30, 2015.

At December 31, 2016 The Authority's proportionate share of the PERS pension expense, calculated by the plan as of the June 30, 2016 measurement date is \$52,489. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 8,786	\$ -
Changes in assumptions	97,870	-
Net differences between actual and projected earnings on pension plan investments	18,016	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	26,772	-
Authority contributions subsequent to the measurement date	7,086	-
Total	\$ <u>158,530</u>	\$ <u>-</u>

NOTE N - Pension Plan (Continued)

\$7,086 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. This amount was based on an estimated April 1, 2018 contractually required contribution, prorated from the pension plans measurement date of June 30, 2016 to the Authority's year end of December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2017	\$ 35,450
2018	35,450
2019	39,900
2020	31,347
2021	9,297
Total	<u>\$ 151,444</u>

6. Actuarial Assumptions

The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016 and 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Measurement Date June 30, 2016</u>	<u>Measurement Date June 30, 2015</u>
Inflation	3.08%	3.04%
Salary Increases:		
2012-2021	N/A	2.15% to 4.40% Based on Age
Through 2026	1.65% to 4.15% Based on Age	N/A
Thereafter	2.65% to 5.15% Based on Age	3.15% to 5.40% Based on Age
Investment Rate of Return	7.65%	7.90%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience Study upon which actuarial Assumptions were based	July 1, 2011 - June 30, 2014	July 1, 2008 - June 30, 2011

NOTE N - Pension Plan (Continued)

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016 and 7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class include in PERS's target asset allocation as of June 30, 2016 and 2015 are summarized in the table below.

<u>Asset Class</u>	<u>2016</u>		<u>2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex U.S.	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

7. Discount Rate

The discount rate used to measure the total pension liability at June 30, 2016 and 2015 was 3.98% and 4.90%, respectively. The single blended discount rates for both PERS and PFRS, based on long-term expected rate of return on pension plan investments of 7.65% and 7.90%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher.

NOTE N - Pension Plan (Continued)

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

8. 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 at June 30, 2015, the plan's measurement date, calculated using the discount rate of 4.90%, 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 or 1-percentage-point higher than the current rate used.

PERS			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	<u>-3.90%</u>	<u>-4.90%</u>	<u>-5.90%</u>
Authority's Proportionate Share of the Net Pension Liability	\$ <u>436,838</u>	\$ <u>351,473</u>	\$ <u>279,904</u>

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

10. Supplementary Pension Information

In accordance with GASB 68, the following information is also presented for the PERS Pension Plans. These schedules are presented to illustrate the requirements to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

NOTE N - Pension Plan (Continued)

Schedule of the Township's Proportionate Share of the Net Pension Liability - Public Employees' Retirement System (PERS) (Last Three Years)

	<u>Measurement Date Ended June 30,</u>		
	2016	2015	2014
Authority's Proportion of the net Share Pension Liability	0.0015952530%	0.0015657208%	0.00155456360%
Authority's Proportionate Share of the Net Pension Liability	\$ 472,468	\$ 351,473	\$ 289,385
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	430.53%	325.44%	270.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%

Schedule of the Township's Contributions - Public Employees' Retirement System (PERS) (Last Three Years)

	<u>Year Ended December 31,</u>		
	2016	2015	2014
Authority's Contractually Required Contribution	\$ 14,172	\$ 13,461	\$ 12,752
Authority's Contribution in Relation To the Contractually Required Contribution	<u>(14,172)</u>	<u>(13,461)</u>	<u>(12,752)</u>
Authority's Contribution Deficiency (Excess)	-	-	-
Authority's Contribution as a Percentage of its Covered Employee Payroll	11.91%	12.27%	11.80%

NOTE N - Pension Plan (Continued)

Changes in Benefit Terms - None

Changes in Assumptions – For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

NOTE O - Deferred Outflows and Deferred Inflows of Resources

The state of net position reports separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at the time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Housing Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Housing Authority's proportion of expenses and liabilities to the pension, differences between the Housing Authority's pension contribution and its proportionate share of contributions, and the Housing Authority's pension contributions subsequent to the pension valuation measurement date.

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
FINANCIAL DATA SCHEDULE

PHA: NJ069 FYED: 12/31/2016

Line Item No.	Account Description	Project Total	Formula	Total
111	Cash - Unrestricted	\$531,204	\$0	\$531,204
113	Cash - Other Restricted	\$108	\$0	\$108
114	Cash - Tenant Security Deposits	\$44,094	\$0	\$44,094
100	Total Cash	\$575,406	\$0	\$575,406
122	Accounts Receivable - HUD Other Projects	\$9,102	\$0	\$9,102
126	Accounts Receivable - Tenants - Dwelling Rents	\$4,966	\$0	\$4,966
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$1,490)	\$0	(\$1,490)
	Accounts Receivable - Insurance Proceeds	\$0		\$0
128	Fraud Recovery	\$0		\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0		\$0
120	Total Receivables, Net of Allowance For Doubtful Accounts	\$12,578	\$0	\$12,578
142	Prepaid Expenses and Other Assets	\$234	\$0	\$234
150	Total Current Assets	\$588,218	\$0	\$588,218
161	Land	\$145,000	\$0	\$145,000
162	Buildings	\$4,149,176	\$0	\$4,149,176
164	Furniture, Equipment & Machinery - Administration	\$118,757	\$0	\$118,757
165	Leasehold Improvements	\$643,192	\$0	\$643,192
166	Accumulated Depreciation	(\$3,856,706)	\$0	(\$3,856,706)
167	Construction in Progress	\$0	\$0	\$0
160	Total Capital Assets, Net of Accumulated Depreciation	\$1,199,419	\$0	\$1,199,419
174	Other Assets	\$0	\$0	\$0
180	Total Non-Current Assets	\$1,199,419	\$0	\$1,199,419
200	Deferred Outflow of Resources	\$158,530	\$0	\$158,530
290	Total Assets	\$1,946,167	\$0	\$1,946,167
312	Accounts Payable <= 90 Days	\$32,537	\$0	\$32,537
321	Accrued Wage/Payroll Taxes Payable	\$764	\$0	\$764
322	Accrued Compensated Absences - Current Portion	\$16,142	\$0	\$16,142
333	Accounts Payable - Other Government	\$53,912	\$0	\$53,912
341	Tenant Security Deposits	\$44,094	\$0	\$44,094
342	Unearned Revenues	\$655	\$0	\$655
343	Current Portion of Long Term Debt - Capital Projects	\$20,000	\$0	\$20,000
345	Other Current Liabilities	\$0		\$0
346	Accrued Liabilities - Other	\$57,226	\$0	\$57,226
310	Total Current Liabilities	\$225,330	\$0	\$225,330
351	Long Term Debt, Net of Current - Capital Projects	\$200,000	\$0	\$200,000
354	Accrued Compensated Absences - Non-Current	\$34,098	\$0	\$34,098
357	Accrued Pension and OPEB Liabilities	\$472,468	\$0	\$472,468
350	Total Non-Current Liabilities	\$706,566	\$0	\$706,566
300	Total Liabilities	\$931,896	\$0	\$931,896
400	Deferred Outflow of Resources	\$0	\$0	\$0
508.4	Net Investment in Capital Assets	\$974,757	\$0	\$974,757
511.4	Restricted Net Position	\$108	\$0	\$108
512.4	Unrestricted Net Position	\$39,406	\$0	\$39,406
513	Total Equity - Net Assets / Position	\$1,014,271	\$0	\$1,014,271
600	Total Liabilities and Equity/Net Assets	\$1,946,167	\$0	\$1,946,167

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
FINANCIAL DATA SCHEDULE

PHA: NJ069 FYED: 12/31/2016

Line Item No.	Account Description	Low Rent	Capital Fund	Total
703	Net Tenant Revenue	\$530,469	\$0	\$530,469
704	Tenant Revenue - Other	\$20,240	\$0	\$20,240
705	Total Tenant Revenue	\$550,709	\$0	\$550,709
706	HUD PHA Operating Grants	\$159,883	\$10,801	\$170,684
706.1	Capital Grants	\$0	\$20,000	\$20,000
711	Investment Income - Unrestricted	\$336	\$0	\$336
714	Fraud Recovery	\$4,464	\$0	\$4,464
715	Other Revenue	\$6,548	\$0	\$6,548
700	Total Revenue	\$721,940	\$30,801	\$752,741
911	Administrative Salaries	\$38,561	\$51,390	\$89,951
912	Auditing Fees	\$4,935	\$0	\$4,935
915	Employee Benefit Contributions - Administrative	\$73,700	\$0	\$73,700
916	Office Expense - Administrative	\$22,803	\$0	\$22,803
917	Legal Expense	\$13,084	\$0	\$13,084
918	Travel	\$2,495	\$0	\$2,495
919	Other Administrative	\$25,100	\$0	\$25,100
921	Tenant Services - Salaries	\$10,000	\$0	\$10,000
923	Employee Benefit Contributions - Tenant Services	\$3,677	\$0	\$3,677
931	Water	\$14,925	\$0	\$14,925
932	Electricity	\$66,300	\$0	\$66,300
933	Gas	\$43,775	\$0	\$43,775
935	Labor	\$3,671	\$0	\$3,671
936	Sewer	\$35,791	\$0	\$35,791
937	Employee Benefit Contributions - Utilities	\$1,576	\$0	\$1,576
941	Ordinary Maintenance and Operations - Labor	\$33,038	\$0	\$33,038
942	Ordinary Maintenance and Operations - Materials and Other	\$16,420	\$0	\$16,420
943	Ordinary Maintenance and Operations - Contract Costs	\$116,160	\$0	\$116,160
945	Employee Benefit Contributions - Ordinary Maintenance	\$12,608	\$0	\$12,608
961	Insurance Premiums	\$37,250	\$0	\$37,250
962.1	Compensated Absences	\$6,497	\$0	\$6,497
963	Payments in Lieu of Taxes	\$26,813	\$0	\$26,813
964	Bad Debt - Tenant Rents	\$403	\$0	\$403
967.1	Interest on Mortgage Payable	\$0	\$10,801	\$10,801
969	Total Operating Expenses	\$609,582	\$62,191	\$671,773
970	Excess Operating Revenue Over Operating Expenses	\$112,358	(\$31,390)	\$80,968
971	Extraordinary Maintenance	\$109,798	\$0	\$109,798
974	Depreciation Expense	\$111,785	\$0	\$111,785
900	Total Expenses	\$831,165	\$62,191	\$893,356
1001	Operating Transfer In	\$51,390	\$0	\$51,390
1002	Operating Transfer Out	\$0	(\$51,390)	(\$51,390)
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$160,615)	\$20,000	(\$140,615)

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
FINANCIAL DATA SCHEDULE

PHA: NJ069 FYED: 12/31/2016

Line Item No.	Account Description	Low Rent	Capital Fund	Total
1102	Required Annual Debt Principal Payments	\$0	\$20,000	\$20,000
1103	Beginning Equity	\$1,154,886	\$0	\$1,154,886
1104	Prior Period Adj. Equity Transfers and Correct. Of Errors	\$0	\$0	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of Less Than Twelve Months	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0
1119	Unit Months Available	1,008	0	1,008
1121	Number of Unit Months Leased	957	0	957
1127	Excess Cash	\$311,826	\$0	\$311,826
1162	Building Purchases	\$0	\$0	\$0
1351	CFFP Debt Service Payments	\$0	\$31,295	\$31,295

HOUSING AUTHORITY OF THE BOROUGH OF FREEHOLD
 STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
 DECEMBER 31, 2016

PHA Owned Programs

Capital Fund Program Number NJ39PO6950114

A. The actual costs of Capital Fund Program Number NJ39PO6950114 are as follows:

Funds approved	\$	81,365
Funds expended		<u>81,365</u>
Excess of funds approved	\$	<u><u>-</u></u>
Funds advanced	\$	81,365
Funds expended		<u>81,365</u>
Excess of funds advanced	\$	<u><u>-</u></u>

B. The distribution of costs by project and account classification accompanying the Actual Modernization Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.

C. All Modernization costs have been paid and all related liabilities have been discharged through payment.

Capital Fund Program Number NJ39PO6950115

A. The actual costs of Capital Fund Program Number NJ39PO6950115 are as follows:

Funds approved	\$	80,055
Funds expended		<u>80,055</u>
Excess of funds approved	\$	<u><u>-</u></u>
Funds advanced	\$	80,055
Funds expended		<u>80,055</u>
Excess of funds advanced	\$	<u><u>-</u></u>

B. The distribution of costs by project and account classification accompanying the Actual Modernization Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.

C. All Modernization costs have been paid and all related liabilities have been discharged through payment.



LAWSON, RESCINIO, SCHIBELL & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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THE POWER OF SOUND FUNDAMENTALS

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

Board of Commissioners
Housing Authority of the
Borough of Freehold
Freehold, New Jersey

We have audited in accordance with the auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the Borough of Freehold, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Borough of Freehold's basic financial statements, and have issued our report thereon dated September 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the Borough of Freehold's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the Borough of Freehold's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the Borough of Freehold'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 combination of control 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 significant deficiencies or material weaknesses. Given these limitations during the audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining assurance about whether the Housing Authority of the Borough of Freehold's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 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.

Lawson, Rescinio, Schibell & Assoc., PC

Lawson, Rescinio, Schibell & Assoc., PC

Oakhurst, New Jersey
September 17, 2017