

PENNS GROVE HOUSING AUTHORITY

**REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTAL
DATA**

YEAR ENDED JUNE 30, 2017

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Penns Grove Housing Authority



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(856) 299-0101 FAX (856) 299-6736

October 23, 2017

To the Board of Directors, Department of Housing and Urban Development

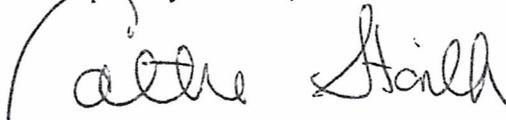
On behalf of the Penns Grove Housing Authority I respectfully submit this annual financial report for the year ended June 30, 2017. I believe the information presented is accurate in all material aspects and that all disclosures necessary to enable the reader to gain an adequate understanding of the Authority's financial position and operations have been included. The accompanying financial statements included in this annual financial report have been prepared in conformity with accounting principles generally accepted in the United States of America. Responsibility for the accuracy, completeness, and fairness of the financial statements presentation rests with the management of the Authority.

The 2017 Penns Grove Housing Authority annual financial report consists of these sections:

- Introductory Section - This includes the independent auditor's report and a management discussion and analysis of our financial report.
- Financial Section - this includes the basic financial statements and foot notes to these basic financial statements.
- Single Audit Section - this includes reports from the independent auditor on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards; and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards (Uniform Guidance)*

The Penns Grove Housing Authority realizes its role as a means of housing for the low income and elderly in the community has never been more important. The Authority has two projects of there own with over 200 units for low income and elderly tenants and around 50 Section 8 units. The following pages report and analyze the financial position of Penns Grove Housing Authority.

Respectfully submitted,


Catherina Stanback
Executive Director

FRANCIS J McCONNELL
CERTIFIED PUBLIC ACCOUNTANT

Member of American and Pennsylvania
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Penns Grove Housing Authority
Penns Grove, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of Penns Grove Housing Authority , as of and for the year ended June 30, 2017 , and the related notes to the financial statements, which collectively comprise Penns Grove Housing Authority's basic 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

My responsibility is to express opinions on these financial statements based on my audits. I conducted my audits 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position of Penns Grove Housing Authority, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, Schedule of the authority's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Penns Grove Housing Authority's basic financial statements. The accompanying financial information, the combining statements of net position, activities and changes in net position and Financial Data Schedule as listed in other supplementary Information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. 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*, and is also not a required part of the basic financial statements.

The combining statement of net position, activities and changes in net position, Financial Data Schedule and Schedule of expenditures of federal awards 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 my opinion, the combining statements of net position, activities and changes in net position, financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report October 23, 2017 on my consideration of the Penns Grove Housing Authority's internal control over financial reporting and on my 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 my 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 Penns grove Housing Authority's internal control over financial reporting and compliance.


Francis J. McConnell
Certified Public Accountant

October 23, 2017

PENNS GROVE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

As management of Penns Grove Housing Authority we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June, 2017. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

2017

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of the this fiscal year by \$791,798 (net position)
- The Authority's unrestricted cash balance at June 30, 2017 was \$219,958 representing a decrease of \$191,133 from June 30, 2016.
- The Authority had intergovernmental revenues of \$ 1,072,590 HUD operating grants for the year ended June 30, 2017.

2016

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$980,066 (net position)
- The Authority's unrestricted cash balance at June 30, 2016 was \$411,091 representing a increase of \$ 187,675 from March 31, 2015.
- The Authority had intergovernmental revenues of \$ 1,102,717 HUD operating grants for the year ended June 30, 2016.
- The Authority implemented GASB Statement No. 68 ("GASB 68") , Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No, 27 as of July 1, 2015.The financial impact of implementing GASB 68 was a reduction of opening net position, net pension liability and related deferred outflows and inflows at July 1, 2015 of \$868,011. The results of fiscal 2015 reflected throughout Management's Discussion and analysis have not been revised to reflect the impact of pension accounting under GASB 68.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- Statement of Net Position – reports the Authority's current financial resources (short term spend able resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses and Changes in Fund Net Position – reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position: may serve over time as a useful indicator of an agency's financial position. In the case of the Penns Grove Housing Authority, assets exceed liabilities by \$792 thousand at the close of the most recent fiscal year. The following table shows a summary of changes from the prior years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current and Other Assets	327,073	563,601	408,100
Capital Assets, net of depreciation	1,564,519	1,672,400	1,799,762
Total Assets	<u>1,891,592</u>	<u>2,236,001</u>	<u>2,207,862</u>
Deferred Outflows of Resources	420,839	149,652	
Current Liabilities	179,871	366,476	209,393
Noncurrnt Liabilities	1,254,048	903,486	27,575
Total Liabilities	<u>1,433,919</u>	<u>1,269,962</u>	<u>236,968</u>
Deferred Inflows of Resources	95,714	135,625	
Net Investment in Capital Assets	1,564,519	1,672,400	1,799,762
Restricted	12,904	6,600	161
Unrestricted	<u>(785,625)</u>	<u>(698,934)</u>	<u>170,971</u>
Net Position	<u>791,798</u>	<u>980,066</u>	<u>1,970,894</u>

Amounts reflected for fiscal years 2015 were not restated for the implementation of GASB 68.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets The following table summarizes the changes in capital assets between fiscal years 2017, 2016 and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
LAND	\$ 107,629	\$ 107,629	\$ 107,629
BUILDINGS AND IMPROVEMENTS	9,138,444	9,087,764	9,070,932
EQUIPMENT	529,681	529,681	522,293
CONSTRUCTION IN PROGRESS	-	8,808	4,000
TOTAL CAPITAL ASSETS	<u>9,775,754</u>	<u>9,733,882</u>	<u>9,704,854</u>
ACCUMULATED DEPRECIATION	<u>8,211,235</u>	<u>8,061,482</u>	<u>7,905,092</u>
NET CAPITAL ASSETS	<u>1,564,519</u>	<u>1,672,400</u>	<u>1,799,762</u>

Debt

At the end of June 30, 2017 the Authority had no outstanding debt.

Statement of Activities. The Statement of Activities shows the sources of PGHA's changes in net position as they arise through its various programs and functions. A condensed Statement of Activities comparing fiscal year 2017 , 2016 and 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tenant Rental Revenue	\$ 605,108	\$ 578,151	\$ 568,929
Government Operating Grants	1,072,590	1,102,717	1,095,858
Other Revenue	136,536	168,472	191,220
Total Operating Revenue	<u>1,814,234</u>	<u>1,849,340</u>	<u>1,856,007</u>
Operating Expenses			
Administrative	437,052	383,099	394,988
Tenant Services	172,967	183,214	176,976
Utilities	392,899	426,996	452,317
Maintenance	503,429	452,268	454,051
Protective Services	-	16,362	9,872
Housing Assistance Payments	258,002	272,077	295,977
General expenses	88,536	80,985	87,128
Depreciation	149,753	156,390	198,396
Nonroutine maintenance	-	909	11,456
Total Operating expenses	<u>2,002,638</u>	<u>1,972,300</u>	<u>2,081,161</u>
Net Operating Income (loss)	<u>(188,404)</u>	<u>(122,960)</u>	<u>(225,154)</u>
Non Operating Revenue	-	-	-
Net Investment Income	136	143	147
	-	-	-
Total NonOperating revenue	<u>136</u>	<u>143</u>	<u>147</u>
Prior Period Adjustment		(868,011)	
CHANGE IN NET POSITION	<u>\$ (188,268)</u>	<u>\$ (122,817)</u>	<u>\$ (225,007)</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS – Continued

Statement of Activities – continued

Governmental operating revenue includes the annual operating subsidies for the low rent and capital grants made available by the U.S. Housing and Urban Development (“HUD”). PGHA also generated over \$600 thousand in tenant revenue which helped offset PGHA’s administrative expenses.

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 information should be addressed to the Office of the Executive Director, Penns Grove Housing Authority, New Jersey, 40 South Broad Street, Penns Grove, New Jersey 08069 or call (856)299-0101.

FINANCIAL SECTION

Penns Grove Housing Authority
Statement of Net Position
June 30, 2017

ASSETS

Current Assets:	
Cash and Cash equivalents	\$ 219,958
Restricted cash and investments	59,018
Accounts Receivable, net	43,271
Other current assets	4,826
Total Current Assets	327,073

Noncurrent Assets	
Capital Assets, net of depreciation	1,564,519
Total Noncurrent assets	1,564,519

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflow of Resources	
Total Deferred outflows of Resources	420,839

Total Assets and Deferred Outflow of Resources	2,312,431
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LIABILITIES

Current Liabilities:	
Accounts Payable	38,741
Accrued Liabilities	39,962
Accounts Payable - other Governments	42,806
Compensated absences	3,111
Trusts and deposits	46,114
Deferred credits and other liabilities	137

Total Current Liabilities	170,871
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Noncurrent Liabilities:	
Compensated absences	28,004
Accrued Pension	1,226,044
Total Noncurrent liabilities	1,254,048

Total Liabilities	1,424,919
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflow of Resources	
Total Deferred Inflow of Resources	95,714

NET POSITION

Net Position:	
Net Investment in capital assets	1,564,519
Restricted in Section 8 Reserves	12,904
Unrestricted	(785,625)
Total Net Position	791,798

Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 2,312,431
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Penns Grove Housing Authority
Statement of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2017

Operating Revenue	
Tenant Revenue	\$ 605,108
Government operating grants	1,072,590
Other Income	<u>136,536</u>
Total operating revenues	<u>1,814,234</u>
Operating expenses	
Administrative	437,052
Tenant services	172,967
Utilities	392,899
Maintenance	503,429
General	88,536
Housing Assistance Payments	258,002
Depreciation Expense	<u>149,753</u>
Total Operating Expenses	<u>2,002,638</u>
Net Operating Income (loss)	(188,404)
Nonoperating revenue	
Investment Income	<u>136</u>
Net nonoperating revenues	<u>136</u>
Change in net position	(188,268)
Total net position - beginning	<u>980,066</u>
Total net position - ending	<u>\$ 791,798</u>

The accompanying notes are an integral part of this statement

Penns Grove Housing Authority
Statement of Cash Flows
For the Year ended June 30, 2017

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Governmental operating grants	\$ 891,605
Receipts from residents and others	730,946
Payments to suppliers	(828,866)
Payments to and on behalf of employees	(675,862)
Housing Assistance payments made	<u>(258,002)</u>
Net cash provided by operating activities	<u>(140,179)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on investments	<u>136</u>
Net cash provided by Investing activities	<u>136</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase of fixed assets, net	(41,872)
Net cash (used) in capital and related financing activities	<u>(41,872)</u>
<u>INCREASE (DECREASE) IN CASH</u>	(181,915)
<u>CASH - BEGINNING OF YEAR</u>	<u>460,891</u>
<u>CASH - END OF YEAR</u>	<u>\$ 278,976</u>
Cash - unrestricted	\$ 219,958
Cash - Restricted	59,018
	<u>\$ 278,976</u>

The accompanying notes are an integral part of this statement

Penns Grove Housing Authority
Statement of Cash Flows
For the Year ended June 30, 2017

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (loss)	\$	(188,404)
Add back non-cash Items:		
Depreciation expense		149,753
Bad Debt Expense		1,281
Decrease (Increase) in Assets		
Accounts Receivable -		(10,698)
Other current assets		63,971
		53,273
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Liabilities		(29,958)
Accrued Compensated absences		5,891
Deferred credits and other liabilities		(180,985)
Other Governmental agencies		16,062
Accrued pension/deferred outflow/inflow		32,908
		(156,082)
Net Cash provided by operating activities	\$	(140,179)

The accompanying notes are an integral part of this statement

**PENNS GROVE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Program Description

The Penns Grove Housing Authority was organized under the laws of the State of New Jersey and operates under an Annual Contributions Contract (ACC) with the United States Department of Housing and Urban Development (HUD) to provide low-income housing to eligible participants under the United States Housing Act of 1937, as amended. The formation and operation of the Housing Authority is governed by the Act, and administered by HUD under the Annual Contributions Contracts.

The Authority is governed by a Board of Directors appointed locally. An Executive Director is appointed by the housing authority's Board to manage the day to day operations of the Authority.

Low Rent Housing Program

This program provides low-rent housing to qualified residents of the City of Penns Grove, New Jersey. All units are owned and operated by the Housing Authority. The operations of the program are subsidized by HUD through an Annual Contributions Contract. Operating subsidy contributions for the year ended June 30, 2017 were \$605,054, and are included in operating subsidies in the combined statement of revenues, expenses and changes in net position.

Housing Choice Voucher Program

This program allows for existing privately-owned housing units to be used for low income housing. This program assists low income families and persons to find and lease a house or apartment. After inspecting the unit, Penns Grove HA assist the residents in negotiating a lease under HUD rules and regulations for the program. After the lease is signed, the resident pays a share of the rent according to HUD guidelines, and the remainder is subsidized by Penns Grove HA through HUD funding.

Penns Grove HA earns a fee administering the annual contributions contributions from HUD. This fund accounts for the revenues and expenses associated with providing administrative services.

Capital Fund Program Grants

Capital fund grants are recognized as revenues in the combined statement of revenues, expenses and changes in net assets in accordance with GASB Statement No. 34. Capital grants support the development, modernization and operation of public housing developments.

Congregate Housing Services Program

The Congregate Housing Services Program offers grants to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. It is a project based rather than a tenant based program.

This program prevents premature and unnecessary institutionalization of frail elderly, nonelderly disabled, and temporarily disabled persons: provides a variety of innovative approaches for the delivery of meals and nonmedical supportive services while making use of existing service programs; fills gaps in existing service systems; and ensures availability of funding for meals and other programs necessary for independent living.

PENNS GROVE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2017
(continued)

B Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity is made by applying the criteria set forth by GASB. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financial accountable. Based on these criteria, There are no additional agencies which should be included in the financial statements of Penns Grove Housing Authority.

C - Basis of Accounting

PGHA accounts for its operations in a single enterprise fund. Enterprise funds account for those operations financed and operated in a manner similar to a private business or where PGHA has decided that determination of revenue earned, costs incurred and net revenue over expense is necessary for management accountability.

Enterprise funds are proprietary funds used to account for business activities of special purpose governments for which a housing authority qualifies under GASB No. 34, “*Basic Financial Statements – Management’s Discussion and Analysis—for State and Local Governments.*” Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred regardless of the timing of the related cash flows. All assets and deferred outflows and liabilities and deferred inflows associated with the operation of the Authority are included in the statements of net position. The statements of revenues, expenses and changes in net position present increases (revenue and capital contributions) and decreases (expenses) in total net position.

Budgeting and Budgetary Accounting

The Authority prepares an annual operating and capital budget for all programs in accordance with HUD requirements. The budget is formally adopted by resolution of the Authority’s Board of Directors. Once adopted, the Board of Directors may amend the adopted budget when unexpected modifications are required in estimated revenues and expenses. The budget is prepared on a detailed line item basis.

D – Cash and Cash Equivalents

The Authority considers all securities, including certificates of deposits and short term investments, with maturities of three months or less to be cash equivalents.

E – Capital Assets

Capital assets include land, structures and equipment recorded at cost and is comprised of property betterments and additions, and modernization program costs. Charges for maintenance and repairs are expensed when incurred. The authority depreciates these assets over their estimated useful lives using the straight-line method of depreciation..

<u>Category</u>	<u>Useful lives (in Years)</u>
Buildings	40 years
Building Improvements	7 - 15 years
Furniture and Equipment	5 - 15 years

Long-lived assets are reviewed annually for impairment under the provisions and in accordance with GASB No. 42, “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*”

PENNS GROVE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2017
(continued)

H – Accrued Compensated absences

Accumulated unpaid leave time is accrued at the estimated amounts of future benefits attributable to services already rendered.

I – Post Employment Benefits

The Authority does not provide it's employees with any health or post employment beefits, therefore there is no accrual for other post employment benefits.

J – Equity Classifications

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

Net Investment in Capital Assets – consists of any capital assets, net of accumulated depreciation and reduced by any outstanding balances of loans, notes or mortgages

Restricted Net Position -_consists of the net amount of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – all other net amounts of assets that do not meet the definition of “restricted” or “net investment in capital assets”.

K – Use of Restricted Assets

When both restricted and unrestricted resources are available for a particular restricted use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as needed.

L - Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided, and in the management of Authority assets. Its operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies other revenues and expenses as non-operating.

M - Income Taxes

PGHA is a New Jersey municipal authority and, as such, is exempt from income taxes and other state and local taxes. PGHA believes it has not engaged in any activities for which its tax-exempt status would not be sustained under Internal Revenue Service examination or that would require filing of an income tax return for unrelated business income taxes.

N- Use of 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 the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

PENNS GROVE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2017
(continued)

O – Economic Dependency

The Low Rent Housing Program of the Authority is economically dependent on operating grants and subsidies from HUD.

NOTE 2 – CASH AND INVESTMENTS

HUD requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security 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 the requirements of HUD. Authority cash and investment balances are covered by the Federal Deposit Insurance Corporation up to \$250,000 with the balance being covered by the Governmental Unit Deposit Protection act of the State of New Jersey.

As of June 30, 2017 cash and investment balances consist of the following:

	2017
Operaing Accounts	232,662
Escrow Accounts	46,114
Other	200
	-
	278,976
	-
	278,976
 Bank Balances	 \$ 298,040

Reconciliation of detail to statement of net assets

Cash - unrestricted	219,958
Cash - restricted	59,018
	\$ 278,976

**PENNS GROVE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2017**

(continued)

NOTE 3 – RECEIVABLES

Accounts Receivable as of June 30, 2017

	2017
Tenant accounts receivable	20,608
Other Government	21,121
Other	13,482
 Total accounts receivable	 55,211
Less: allowance for doubtful accounts	(11,940)
	43,271

NOTE 4 – CAPITALASSETS

Changes in capital assets for 2017 consisted of:

	2016	additions	disposals	transfers	2017
<u>Non-depreciable capital assets:</u>					
Land	107,629	-	-		107,629
Construction in Progress	8,808	4,370		(13,178)	-
	116,437	4,370		(13,178)	107,629
 <u>Depreciable capital assets:</u>					
Buildings and Improvements	9,087,764	37,502	-	13,178	9,138,444
Equipment - Admin & Dwelling	529,681	-	-		529,681
Totals	9,617,445	37,502	-	13,178	9,668,125
 Total capital assets	9,733,882	41,872			9,775,754
Accumulated Depreciation:	(8,061,482)	(149,753)	-		(8,211,235)
 Net Capital Assets	1,672,400	(107,881)	-	-	1,564,519

NOTE 5 – RISK MANAGEMENT

The Authority is exposed to various risks of potential liabilities, such as theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In order to deal with these potential liabilities, the Authority's risk management program consisted of various insurance policies covering each of these risks. The Authority believes such coverage is sufficient to preclude any significant uninsured losses to the Authority.

**PENNS GROVE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2017**

(continued)

NOTE 6 – PAYABLE TO OTHER GOVERNMENT AGENCIES – (PILOT)

The Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its cooperation agreement with the City of Penns Grove, New Jersey. Under the cooperation agreements, the Authority must pay the lesser of 10% of its net shelter rent or the appropriate full real property taxes. During the fiscal years ended June 30, 2017 PILOT expense was accrued in the amounts of \$25,991 and \$24,981, respectively. Shown on statement of net position as payable to other government.

NOTE 7 – COMPENSATED ABSENCES

Accrued compensated absences represent the amount of accumulated leave for which employees are entitled to receive payment in accordance with the authority’s personnel policy.

Compensated absences activity consisted of the following:

	2017
Beginning compensated absences	\$ 25,224
Compensated absences earned	24,439
Compensated absences redeemed	(18,548)
Ending compensated absences	31,115
Less: current portion	3,111
Compensated absences, net of current position	\$ 28,004

NOTE 8 – Deferred Outflows/Inflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charges to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources until that time. These inflows consist of unamortized portion of the net difference between projected and actual earnings on pension plan investments.

NOTE 9 – PENSION PLAN

Description of Plan

The Authority participates in the Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Division of Pensions within the Department of Treasury, State of New Jersey. It is a cost-sharing, multiple-employer defined benefit pension plan. The PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system. Membership is mandatory for such employees.

PENNS GROVE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2017
(continued)

NOTE 9 – PENSION PLAN - continued

Vesting and Benefit Provisions

The vesting and benefit provisions for the PERS are set by N.J. S.A. 43:15A and 43:3B. All benefits vest after ten years of services, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined.

Funding Requirements - PERS

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers contributions are actuarially determined annually by the

The Authority’s total contributions to PERS for the year ended were \$ 36,776.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – at June 30, 2017, the Authority reported a liability of \$ 1,226,044 for its proportionate share of the net pension liability. 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 that date. The Authority’s proportion of the net pension liability was based on the authority’s share of contributions to the pension plan relative to the contributions of all PERS participating employers. At June 30, 2016, the authority’s collective proportion percentage was .0041396433.

For the year ended the authority recognized pension expense of \$ 32,908. At June 30, 2017, the authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experiences	\$ 22,801	\$ -
Changes in assumptions	253,971	
Net difference between projected and actual earnings on pension plan investments	46,750	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	60,541	95,714
Authority contributions subsequent to the measurement date	36,776	
Total	<u>\$ 420,839</u>	<u>\$ 95,714</u>

PENNS GROVE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2017
(continued)

NOTE 9 – PENSION PLAN - continued

\$ 36,776 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended 30-Jun	Total
2018	\$ (57,670)
2019	(57,670)
2020	(57,670)
2021	(57,670)
2022	(57,669)
	<u>\$ (288,349)</u>

Actuarial assumptions – the total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation :	3.08%
Rates of 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%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality tables, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension 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 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 rate of return for each major class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

PENNS GROVE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2017
(continued)

NOTE 9 – PENSION PLAN – continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real 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 U.S. equities	26.00%	8.53%
Developed foreign equities	13.25%	6.83%
Emerging market equities	6.50%	9.95%
Private equity	9.00%	12.40%
Hedge funds/Absolute return	12.50%	4.68%
Real estate (property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate - the discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of 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, the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Pension Plan Fiduciary Net Position – detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report which is available on the PERS website.

Sensitivity of the Authority's Proportionate Share of Net Pension Liability to changes in the Discount Rate – the following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 4.90 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 (3.90 percent) or 1-percentage point higher (5.90 percent) than the current rate,

	2.98%	3.98%	4.98%
Authority's proportionate share of the net pension liability	1,502,373	1,226,044	997,909

**PENNS GROVE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2017**

NOTE 10 – ACCRUED LIABILITIES

Accrued Liabilities as of June 30, 2017;

	<u>2017</u>
Accrued payroll and payroll taxes	\$ 7,221
Accrued utilities	32,741
	<u>\$ 39,962</u>

NOTE 11 – DEFERRED CREDITS AND OTHER LIABILITIES

Deferred Credits and other liabilities as of June 30, 2017

	<u>2017</u>
Unearned revenue	\$ 137
	<u>\$ 137</u>

NOTE 12 – SUBSEQUENT EVENTS

In preparing the financial statements, the Housing Authority has evaluated events and transactions for potential recognition or disclosure through October 23, 2017 the date the financial statements were available to be issued. No transactions were found for recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**PENNS GROVE HOUSING AUTHORITY
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	36,776	33,781	38,695
Contributions in relation to the statutorily required contributions	36,776	33,781	38,695
Contributions deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
Authority's covered-employee payroll	450,454	439,870	454,389
Contributions as a percentage of covered-employee payroll	8.16%	7.68%	8.52%

See accompanying independent auditor's report

PENNS GROVE HOUSING AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportions of the net pension liability (asset)	0.0041396433%	0.0039292500%	0.0046938000%
Authority's proportionate share of the net pension liability	1,226,044	\$ 882,038	878,808
Authority's covered-employee payroll	450,454	\$ 439,870	454,389
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	272.18%	200.52%	193.40%
Plan fiduciary net position as a percentage of the total pension liability	59.86%	52.07%	52.08%

Note: GASB Statement NO 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the Authority will present information for those years for which information is available.

See accompanying independent auditor's report

OTHER SUPPLEMENTARY INFORMATION

Penns Grove Housing Authority
Combining Statement of Net Position
As of June 30, 2017

	Low Rent Housing	Capital fund Program	Housing choice Vouchers	State and Local	Elimination	Totals
ASSETS						
Current Assets						
Cash	195,340	-	15,643	8,975		\$ 219,958
Restricted cash and investments	46,114	-	12,904			59,018
Receivables, net	19,608	-	-	23,663		43,271
Investments	-	-	-	-		-
Due from other funds	28,353	-	-	-	(28,353)	-
Other assets	4,826	-	-	-	-	4,826
Total Current assets	<u>294,241</u>	<u>-</u>	<u>28,547</u>	<u>32,638</u>	<u>(28,353)</u>	<u>327,073</u>
NONCURRENT ASSETS						
Capital assets, net of depreciation	1,564,519	-	-	-		1,564,519
Other assets	-	-	-	-	-	-
Total noncurrent assets	<u>1,564,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,564,519</u>
Deferred Outflow of Resources	420,839					420,839
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURC	<u>1,858,760</u>	<u>-</u>	<u>28,547</u>	<u>32,638</u>	<u>(28,353)</u>	<u>2,312,431</u>
LIABILITIES AND NET POSITION						
Current Liabilities						
Accounts payable	35,405	-	-	3,336		38,741
Accrued Liabilities	39,962	-	-	-		39,962
Due to other governments	42,806	-	-			42,806
Due to other funds	-	-	1,900	26,453	28,353	-
Compensated absences	3,111	-	-	-		3,111
Trusts and deposits	46,114	-	-	-		46,114
Deferred credits and other liabilities	137	-	-	-		137
Total current liabilities	<u>167,535</u>	<u>-</u>	<u>1,900</u>	<u>29,789</u>	<u>28,353</u>	<u>170,871</u>
NONCURRENT LIABILITIES						
Compensated Absences	28,004	-	-	-		28,004
Accrued Pension	1,226,044	-	-	-		1,226,044
Total noncurrent liabilities	<u>1,254,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,254,048</u>
TOTAL LIABILITIES	<u>1,421,583</u>	<u>-</u>	<u>1,900</u>	<u>29,789</u>	<u>28,353</u>	<u>1,424,919</u>
Deferred Inflow of Resources	95,714					95,714
NET POSITION						
Net Investment in Capital Assets	1,564,519	-	-	-		1,564,519
Restricted for Section 8	-	-	12,904			12,904
Unrestricted net position	(802,217)	-	13,743	2,849		(785,625)
	<u>762,302</u>	<u>-</u>	<u>26,647</u>	<u>2,849</u>	<u>-</u>	<u>791,798</u>
TOTAL LIABILITIES AND NET POSITION	<u>2,279,599</u>	<u>-</u>	<u>28,547</u>	<u>32,638</u>	<u>28,353</u>	<u>2,312,431</u>

Penns Grove Housing Authority
Combining Statement of Revenues, Expenses and changes in Net Position
For the year ended June 30, 2017

	<u>Low Rent Housing</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>	<u>State and Local</u>	<u>Elimination</u>	<u>Totals</u>
	-					
Operating revenue						
Total Tenant Revenue	605,108	-	-	-		\$ 605,108
Operating subsidies	605,054	181,122	286,414			1,072,590
other revenue	3,120	-	-	133,416	-	136,536
Total operating revenue	<u>1,213,282</u>	<u>181,122</u>	<u>286,414</u>	<u>133,416</u>	<u>-</u>	<u>1,814,234</u>
Operating Expenses						
Administrative expenses	414,204	-	22,848	-	-	437,052
Asset Management Fee	-		-		-	-
Tenant services	43,762	-	-	129,205		172,967
Utilities	392,899	-	-	-		392,899
Maintenance	503,429	-	-	-	-	503,429
General	88,494	-	-	42		88,536
Housing Assistance payments	-	-	258,002			258,002
Depreciation expense	149,753	-	-	-		149,753
Total operating expenses	<u>1,592,541</u>	<u>-</u>	<u>280,850</u>	<u>129,247</u>	<u>-</u>	<u>2,002,638</u>
Operating income (loss)	<u>(379,259)</u>	<u>181,122</u>	<u>5,564</u>	<u>4,169</u>	<u>-</u>	<u>(188,404)</u>
Nonoperating revenue (expenses)						
Investment Income	121	-	15	-		136
Net nonoperating revenue	<u>121</u>	<u>-</u>	<u>15</u>	<u>-</u>		<u>136</u>
Income (Loss) before capital subsidies	(379,138)	181,122	5,579	4,169	-	(188,268)
Capital subsidies		-				-
Change in net position	<u>(379,138)</u>	<u>181,122</u>	<u>5,579</u>	<u>4,169</u>	<u>-</u>	<u>(188,268)</u>
Total net assets at beginning of year	960,318	-	21,068	(1,320)		980,066
Capital contributions/transfers	181,122	(181,122)				-
Total net position at end of year	<u><u>762,302</u></u>	<u><u>-</u></u>	<u><u>26,647</u></u>	<u><u>2,849</u></u>	<u><u>-</u></u>	<u><u>\$ 791,798</u></u>

Penns Grove Housing Authority (NJ074)
PENNS GROVE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$195,340	\$15,643	\$8,975	\$219,958		\$219,958
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted		\$12,904		\$12,904		\$12,904
114 Cash - Tenant Security Deposits	\$46,114			\$46,114		\$46,114
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$241,454	\$28,547	\$8,975	\$278,976	\$0	\$278,976
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government			\$21,121	\$21,121		\$21,121
125 Accounts Receivable - Miscellaneous			\$2,542	\$2,542		\$2,542
126 Accounts Receivable - Tenants	\$20,608			\$20,608		\$20,608
126.1 Allowance for Doubtful Accounts -Tenants	-\$1,000			-\$1,000		-\$1,000
126.2 Allowance for Doubtful Accounts - Other			\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery	\$10,940			\$10,940		\$10,940
128.1 Allowance for Doubtful Accounts - Fraud	-\$10,940			-\$10,940		-\$10,940
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$19,608	\$0	\$23,663	\$43,271	\$0	\$43,271
131 Investments - Unrestricted						
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$4,826			\$4,826		\$4,826
143 Inventories						
143.1 Allowance for Obsolete Inventories						

Penns Grove Housing Authority (NJ074)
PENNS GROVE, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
144 Inter Program Due From	\$28,353			\$28,353	-\$28,353	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$294,241	\$28,547	\$32,638	\$355,426	-\$28,353	\$327,073
161 Land	\$107,629			\$107,629		\$107,629
162 Buildings	\$8,055,319			\$8,055,319		\$8,055,319
163 Furniture, Equipment & Machinery - Dwellings	\$244,196			\$244,196		\$244,196
164 Furniture, Equipment & Machinery - Administration	\$285,485			\$285,485		\$285,485
165 Leasehold Improvements	\$1,083,125			\$1,083,125		\$1,083,125
166 Accumulated Depreciation	-\$8,211,235			-\$8,211,235		-\$8,211,235
167 Construction in Progress						
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,564,519	\$0	\$0	\$1,564,519	\$0	\$1,564,519
171 Notes, Loans and Mortgages Receivable - Non-Current						
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets						
176 Investments in Joint Ventures						
180 Total Non-Current Assets	\$1,564,519	\$0	\$0	\$1,564,519	\$0	\$1,564,519
200 Deferred Outflow of Resources	\$420,839			\$420,839		\$420,839
290 Total Assets and Deferred Outflow of Resources	\$2,279,599	\$28,547	\$32,638	\$2,340,784	-\$28,353	\$2,312,431
311 Bank Overdraft						

Penns Grove Housing Authority (NJ074)
PENNS GROVE, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$35,405		\$3,336	\$38,741		\$38,741
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$7,221			\$7,221		\$7,221
322 Accrued Compensated Absences - Current Portion	\$3,111			\$3,111		\$3,111
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$42,806			\$42,806		\$42,806
341 Tenant Security Deposits	\$46,114			\$46,114		\$46,114
342 Unearned Revenue	\$137			\$137		\$137
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other	\$32,741			\$32,741		\$32,741
347 Inter Program - Due To		\$1,900	\$26,453	\$28,353	-\$28,353	\$0
348 Loan Liability - Current						
310 Total Current Liabilities	\$167,535	\$1,900	\$29,789	\$199,224	-\$28,353	\$170,871
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other						
354 Accrued Compensated Absences - Non Current	\$28,004			\$28,004		\$28,004
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities	\$1,226,044			\$1,226,044		\$1,226,044

Penns Grove Housing Authority (NJ074)
PENNS GROVE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
350 Total Non-Current Liabilities	\$1,254,048	\$0	\$0	\$1,254,048	\$0	\$1,254,048
300 Total Liabilities	\$1,421,583	\$1,900	\$29,789	\$1,453,272	-\$28,353	\$1,424,919
400 Deferred Inflow of Resources	\$95,714			\$95,714		\$95,714
508.4 Net Investment in Capital Assets	\$1,564,519		\$0	\$1,564,519		\$1,564,519
511.4 Restricted Net Position	\$0	\$12,904	\$0	\$12,904		\$12,904
512.4 Unrestricted Net Position	-\$802,217	\$13,743	\$2,849	-\$785,625		-\$785,625
513 Total Equity - Net Assets / Position	\$762,302	\$26,647	\$2,849	\$791,798	\$0	\$791,798
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,279,599	\$28,547	\$32,638	\$2,340,784	-\$28,353	\$2,312,431

Penns Grove Housing Authority (NJ074)
PENNS GROVE, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$599,333			\$599,333		\$599,333
70400 Tenant Revenue - Other	\$5,775			\$5,775		\$5,775
70500 Total Tenant Revenue	\$605,108	\$0	\$0	\$605,108	\$0	\$605,108
70600 HUD PHA Operating Grants	\$786,176	\$286,414		\$1,072,590		\$1,072,590
70610 Capital Grants						
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue				\$0	\$0	\$0
70800 Other Government Grants			\$120,457	\$120,457		\$120,457
71100 Investment Income - Unrestricted	\$121	\$15		\$136		\$136
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery						
71500 Other Revenue	\$3,120		\$12,959	\$16,079		\$16,079
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted						
70000 Total Revenue	\$1,394,525	\$286,429	\$133,416	\$1,814,370	\$0	\$1,814,370
91100 Administrative Salaries	\$161,923	\$16,800		\$178,723		\$178,723
91200 Auditing Fees	\$3,765	\$2,400		\$6,165		\$6,165
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing						
91500 Employee Benefit contributions - Administrative	\$117,921	\$1,285		\$119,206		\$119,206
91600 Office Expenses	\$27,545			\$27,545		\$27,545
91700 Legal Expense	\$14,117			\$14,117		\$14,117
91800 Travel	\$6,556			\$6,556		\$6,556
91810 Allocated Overhead						
91900 Other	\$82,377	\$2,363		\$84,740		\$84,740

Penns Grove Housing Authority (NJ074)
PENNS GROVE, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
91000 Total Operating - Administrative	\$414,204	\$22,848	\$0	\$437,052	\$0	\$437,052
92000 Asset Management Fee						
92100 Tenant Services - Salaries	\$16,390		\$71,351	\$87,741		\$87,741
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services	\$15,612		\$5,934	\$21,546		\$21,546
92400 Tenant Services - Other	\$11,760		\$51,920	\$63,680		\$63,680
92500 Total Tenant Services	\$43,762	\$0	\$129,205	\$172,967	\$0	\$172,967
93100 Water	\$61,991			\$61,991		\$61,991
93200 Electricity	\$158,061			\$158,061		\$158,061
93300 Gas	\$91,727			\$91,727		\$91,727
93400 Fuel						
93500 Labor						
93600 Sewer	\$81,120			\$81,120		\$81,120
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$392,899	\$0	\$0	\$392,899	\$0	\$392,899
94100 Ordinary Maintenance and Operations - Labor	\$163,122			\$163,122		\$163,122
94200 Ordinary Maintenance and Operations - Materials and Other	\$146,665			\$146,665		\$146,665
94300 Ordinary Maintenance and Operations Contracts	\$74,694			\$74,694		\$74,694
94500 Employee Benefit Contributions - Ordinary Maintenance	\$118,948			\$118,948		\$118,948
94000 Total Maintenance	\$503,429	\$0	\$0	\$503,429	\$0	\$503,429
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$31,120			\$31,120		\$31,120
96120 Liability Insurance	\$11,216			\$11,216		\$11,216
96130 Workmen's Compensation	\$13,738			\$13,738		\$13,738
96140 All Other Insurance	\$2,379			\$2,379		\$2,379

Penns Grove Housing Authority (NJ074)
PENNS GROVE, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
96100 Total insurance Premiums	\$58,453	\$0	\$0	\$58,453	\$0	\$58,453
96200 Other General Expenses	\$581			\$581		\$581
96210 Compensated Absences	\$5,892			\$5,892		\$5,892
96300 Payments in Lieu of Taxes	\$22,329			\$22,329		\$22,329
96400 Bad debt - Tenant Rents	\$1,239		\$42	\$1,281		\$1,281
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$30,041	\$0	\$42	\$30,083	\$0	\$30,083
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,442,788	\$22,848	\$129,247	\$1,594,883	\$0	\$1,594,883
97000 Excess of Operating Revenue over Operating Expenses	-\$48,263	\$263,581	\$4,169	\$219,487	\$0	\$219,487
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments		\$258,002		\$258,002		\$258,002
97350 HAP Portability-In						
97400 Depreciation Expense	\$149,753			\$149,753		\$149,753
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$1,592,541	\$280,850	\$129,247	\$2,002,638	\$0	\$2,002,638
10010 Operating Transfer In	\$181,122			\$181,122		\$181,122
10020 Operating transfer Out	-\$181,122			-\$181,122		-\$181,122
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						

Penns Grove Housing Authority (NJ074)
PENNS GROVE, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						
10080 Special Items (Net Gain/Loss)						
10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$198,016	\$5,579	\$4,169	-\$188,268	\$0	-\$188,268
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$960,318	\$21,068	-\$1,320	\$980,066		\$980,066
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0			\$0		\$0
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity		\$13,743		\$13,743		\$13,743
11180 Housing Assistance Payments Equity		\$12,904		\$12,904		\$12,904
11190 Unit Months Available	1824	356	0	2180		2180
11210 Number of Unit Months Leased	1773	331	0	2104		2104
11270 Excess Cash	\$1,648			\$1,648		\$1,648
11610 Land Purchases	\$0			\$0		\$0
11620 Building Purchases	\$0			\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0		\$0
11650 Leasehold Improvements Purchases	\$0			\$0		\$0
11660 Infrastructure Purchases	\$0			\$0		\$0
13510 CFFP Debt Service Payments	\$0			\$0		\$0
13901 Replacement Housing Factor Funds	\$0			\$0		\$0

SINGLE AUDIT AND OTHER REPORTS

Penns Grove Housing Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30,, 2017

	<u>CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>Department of Housing and Urban Development</u>		
Low Rent Public Housing	14.850	\$ 605,054
Housing Choice Vouchers	14.871	286,414
Public Housing Capital Fund Program	14.872	<u>181,122</u>
Total		<u><u>\$ 1,072,590</u></u>

See accompanying notes to Schedule of Federal Awards

**Penns Grove Housing Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30,, 2017**

See accompanying notes to Schedule of Federal Awards

Penns Grove Housing Authority
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of operations of the Nanticoke Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Penns Grove Housing Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) 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.
- (b). The entity did not elect to use the 10 percent de minimis indirect rate.
- (c) The authority was not a subrecipient of any federal awards and did not pass through any federal awards to subrecipients

Penns Grove Housing Authority
Schedule of Findings and Questioned Costs
For the Year ended June 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses? reported	None
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	No
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Housing Choice Vouchers
14.872	Public Housing Capital Fund

Penns Grove Housing Authority
Schedule of Findings and Questioned Costs
For the Year ended June 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS - Continued

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no Financial Statement Findings for the current audit period.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no Federal Award Findings and Questioned Costs for the current period.

Penns Grove Housing Authority
Schedule of Findings and Questioned Costs
For the Year ended June 30, 2017

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There are no open prior audit findings.

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Penns Grove Housing Authority
Penns Grove, New Jersey

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Penns Grove Housing Authority, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Penns Grove Housing Authority's basic financial statements, and have issued our report thereon dated October XX, 2017.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Penns Grove Housing 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Penns Grove Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Penns Grove Housing 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Penns Grove Housing Authority's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.



Francis J. McConnell
Certified Public accountant

October 23, 2017

FRANCIS J McCONNELL
CERTIFIED PUBLIC ACCOUNTANT

American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

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Philadelphia, PA 19111
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Penns Grove Housing Authority
Penns grove, New Jersey

Report on Compliance for Each Major Federal Program

I have audited the Penns Grove Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended June 30, 2017. The Penns Grove Housing 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.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Penns Grove Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Those standards and the Uniform Guidance require that I 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 Penns Grove Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Penns Grove Housing Authority's compliance.

Opinion on Each Major Federal Program

In my opinion, Penns Grove Housing 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 June 30, 2017.

Report on Internal Control over Compliance

Management of Penns Grove Housing 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 my audit of compliance, I considered Penns Grove Housing 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, I do not express an opinion on the effectiveness of Penns Grove Housing 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.



Francis J McConnell
Certified Public Accountant

October 23, 2017